

# **AJ Networks Co., Ltd. and its subsidiaries**

Consolidated financial statements  
for the year ended December 31, 2023  
with the independent auditor's report

AJ Networks Co., Ltd. and its  
subsidiaries

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

### The Shareholders and Board of Directors AJ Networks Co., Ltd.

#### Opinion

We have audited the consolidated financial statements of AJ Networks Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

#### Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matter

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

#### (1) Impairment tests on investments in MostX Co., Ltd., the Group's associate - Estimation of recoverable amount

As described in note 8 to the consolidated financial statements, as of December 31, 2023, the book value of the Group's investments in associates amounts to 43,154 million Korean won, of which the book value of investments in MostX is 5,146 million Korea won. As described in Note 2 to the consolidated financial statements, the Group assesses at the end of each reporting period whether there is an indication that the relevant asset may be impaired, and when there is an indication of impairment, the Group estimates the recoverable amount that is the higher of the asset's fair value less costs to sell and its value in use, and then compares the recoverable amount with its book value. Based on the conclusion that the investment in MostX shows an indication of impairment with its deteriorating business performance, the Group estimated the recoverable amount based on the value in use as described in Note 8. We identified the estimate of recoverable amount of investments in the associate as a key audit matter, because the assessment of the recoverable amount is accompanied by significant judgments and estimations by management, especially on estimated future cash flows, discount rates, perpetual growth rates and others

The main audit procedures that we have conducted for this key audit matter are as follows:

- Obtain an understanding of and assess internal controls related to processes for reviewing the recoverable amount.
- Examine the independence and qualification of external specialists used for management's evaluation.
- Engage the auditor's specialists in the assessment of valuation model used by management in calculating the value in use.
- Evaluate major assumptions used by management in calculating the value in use.
- Recalculate the recoverable amount based on the valuation model suggested by management.
- Assess the sensitivity of value in use, driven by changes in the discount rates and perpetual growth rates.

### **Other matter**

The consolidated financial statements for the year ended December 31, 2022 were audited by Samil PricewaterhouseCoopers whose report dated March 21, 2023 expressed an unqualified opinion thereon.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sang Il Bae.



March 20, 2024

This audit report is effective as of March 20, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

# **AJ Networks Co., Ltd. and its subsidiaries**

Consolidated financial statements  
for each of the two years in the period ended December 31, 2023

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Sam-dal, Son  
Chief Executive Officer  
AJ Networks Co., Ltd.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Consolidated statements of financial position**  
**as of December 31, 2023, 2022 and 2021**

(in Korean won)

	Notes	2023	2022	2021
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,35	₩ 122,102,072,409	₩ 131,861,397,964	₩ 85,232,019,813
Trade receivables	35,36	110,780,653,029	95,025,111,783	93,250,179,974
Inventories	6	17,826,546,561	25,024,737,042	19,735,719,639
Financial assets at fair value through profit or loss	7	1,428,485,563	3,848,586,865	3,213,923,145
Other current financial assets	14,35,36	34,152,806,751	21,307,785,534	30,183,540,039
Other current assets	15,36	16,964,546,982	24,466,084,527	42,296,166,236
		₩ 303,255,111,295	₩ 301,533,703,715	₩ 273,911,548,846
<b>Non-current assets held for sale</b>				
	39	₩ -	₩ 27,965,398,621	₩ -
		₩ -	₩ 27,965,398,621	₩ -
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	7,35	₩ 17,986,116,788	₩ 22,812,260,111	₩ 25,539,624,849
Financial assets at fair value through other comprehensive income	7,35	13,447,135,567	12,685,375,553	14,577,407,247
Investments in associates	8,36	43,154,424,299	68,432,286,614	76,928,639,795
Rental assets	9,19	773,760,341,055	741,974,075,642	657,113,475,992
Property, plant and equipment	10,19	280,183,983,969	165,990,914,453	176,670,008,623
Intangible assets	12	22,359,494,343	25,270,682,800	27,941,557,766
Investment properties	13	98,412,559,986	23,713,175,207	27,226,282,511
Right-of-use assets	11	27,664,067,344	43,318,309,051	38,310,490,903
Other non-current financial assets	14,20,35	35,546,223,770	35,138,968,445	33,371,217,255
Other non-current assets	15	4,738,505,287	3,427,483,029	3,165,471,726
Deferred tax assets	31	1,649,378,175	11,106,107,044	2,231,730,765
		1,318,902,230,583	1,153,869,637,949	1,083,075,907,432
<b>Total assets</b>		₩ 1,622,157,341,878	₩ 1,483,368,740,285	₩ 1,356,987,456,278
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables	35,36	₩ 50,943,140,897	₩ 55,310,291,271	₩ 43,057,838,717
Short-term borrowings	16,19,35	124,371,577,836	209,481,577,325	113,290,328,000
Current portion of long-term borrowings	16,19,35	249,070,911,979	231,028,286,339	153,480,837,105
Current portion of long-term bonds	16,35	174,248,120,539	230,556,881,567	141,922,058,703
Other current financial liabilities	17,19,35,36	54,361,744,656	52,020,854,549	34,999,835,176
Other current liabilities	17,36	8,052,173,099	11,453,565,939	12,612,214,659
Current lease liabilities	11	6,586,006,203	11,000,760,757	10,841,504,832
Current tax liabilities	31	7,634,165,444	13,512,637,659	14,972,161,133
		₩ 675,267,840,653	₩ 814,364,855,406	₩ 525,176,778,325
<b>Non-current liabilities held for sale</b>				
	39	₩ -	₩ 23,581,953,463	₩ -
		₩ -	₩ 23,581,953,463	₩ -
<b>Non-current liabilities</b>				
Non-current bonds	16,35	₩ 172,164,330,541	₩ 65,447,736,112	₩ 197,671,055,559
Long-term borrowings	16,19,35	328,063,150,625	173,582,204,785	223,293,807,977
Other non-current financial liabilities	17,20,35	4,330,372,096	4,223,279,209	8,996,132,231
Other non-current liabilities	17	267,800,932	1,557,711,179	1,351,474,998
Net defined benefit liabilities	18	-	300,765,487	1,410,387,247
Non-current lease liabilities	11	13,847,293,073	34,014,827,606	31,295,649,607
Deferred tax liabilities	31	8,564,744,268	2,604,165,631	3,389,608,113
		527,237,691,535	281,730,690,009	467,408,115,732
<b>Total liabilities</b>		₩ 1,202,505,532,188	₩ 1,119,677,498,878	₩ 992,584,894,057
<b>Equity</b>				
<b>Equity attributable to owners of the Parent Company</b>				
Share capital	1,21	₩ 46,822,295,000	₩ 46,822,295,000	₩ 46,822,295,000
Capital surplus	21	101,169,895,468	100,589,604,129	100,589,604,129
Capital adjustments	22	(31,421,318,284)	(37,203,171,749)	(33,833,226,018)
Other capital	22,23	(437,639,816)	(605,114,014)	(761,844,645)
Accumulated other comprehensive income	22	57,724,837,026	7,169,408,219	794,018,844
Retained earnings	24	245,359,592,683	246,588,278,108	249,782,054,363
<b>Non-controlling interest</b>	37	434,147,613	329,941,714	1,009,660,548
<b>Total equity</b>		419,651,809,690	363,691,241,407	364,402,562,221
<b>Total liabilities and equity</b>		₩ 1,622,157,341,878	₩ 1,483,368,740,285	₩ 1,356,987,456,278

The accompanying notes are an integral part the consolidated financial statements.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Consolidated statements of comprehensive income**  
**for each of the two years in the period ended December 31, 2023**

(in Korean won)	Notes	2023	2022
Operating income	4, 26, 36	₩ 1,001,975,993,554	₩ 1,193,651,665,953
Operating expense	4, 27, 32, 36	<u>923,590,136,668</u>	<u>1,117,233,003,217</u>
<b>Operating profit</b>	4	78,385,856,886	76,418,662,736
Other income	29	48,995,707,838	5,580,178,098
Other expense	29	10,709,294,565	16,984,502,565
Gains on disposal of non-current assets held for sale		1,045,869,911	-
Share of loss of associates	8, 30	(20,220,912,368)	(1,314,973,776)
Finance income	28, 34, 35	10,315,773,488	7,727,081,597
Finance costs	28, 34, 35	<u>78,793,372,017</u>	<u>45,291,336,440</u>
<b>Profit before income tax</b>		29,019,629,173	26,135,109,650
Income tax expense from continuing operations	31	13,300,037,945	5,232,754,280
<b>Profit from continuing operations</b>		15,719,591,228	20,902,355,370
<b>Discontinued operations</b>			
Profit (loss) from discontinued operations	39	752,763,722	(12,235,176,892)
<b>Profit for the year</b>		<u>₩ 16,472,354,950</u>	<u>₩ 8,667,178,478</u>
<b>Owners of the Parent Company</b>			
Profit from continuing operations		15,771,856,888	21,128,710,954
Profit (loss) from discontinued operations		752,763,722	(12,235,176,892)
Profit attributable to owners of the Parent Company		<u>16,524,620,610</u>	<u>8,893,534,062</u>
<b>Non-controlling interests</b>			
Loss from continuing operations		(52,265,660)	(226,355,584)
Loss attributable to non-controlling interests		(52,265,660)	(226,355,584)
<b>Other comprehensive income</b>			
Items that will not be subsequently reclassified to profit or loss			
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		₩ 152,534,250	₩ (1,279,392,733)
Remeasurements of net defined benefit liability		-	218,714,154
Equity adjustments using equity method		859,549,852	615,371,889
Revaluation surplus		48,396,679,852	-
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation difference of foreign operations	22	882,129,267	6,881,549,533
Equity adjustments using equity method	22	<u>(35,410,406)</u>	<u>(58,364,556)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>₩ 50,255,482,815</u>	<u>₩ 6,377,878,287</u>
<b>Total comprehensive income for the year</b>		<u>₩ 66,727,837,765</u>	<u>₩ 15,045,056,765</u>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of the Parent Company		66,755,784,866	15,268,923,437
Non-controlling interest	37	<u>(27,947,101)</u>	<u>(223,866,672)</u>
		<u>₩ 66,727,837,765</u>	<u>₩ 15,045,056,765</u>
<b>Earnings (losses) per share</b>	25		
Basic earnings per share from continuing operations		₩ 351	₩ 472
Basic earnings (losses) per share from discontinued operations		17	(273)
Basic earnings per share for owners of the Parent Company		368	199
Diluted earnings per share from continuing operations		351	472
Diluted earnings (losses) per share from discontinued operations		17	(273)
Diluted earnings per share for owners of the Parent Company		368	199

The accompanying notes are an integral part the consolidated financial statements.



**AJ Networks Co., Ltd. and its subsidiaries**  
**Consolidated statements of changes in equity**  
**for each of the two years in the period ended December 31, 2023**

(in Korean won)

	Issued capital	Capital surplus	Elements of other stockholders equity	Other capital	Other comprehensive income(loss)	Retained earnings	Non-controlling interest	Total Equity
<b>Balance as of January 1, 2022</b>	₩ 46,822,295,000	₩ 100,589,604,129	₩ (33,833,226,018)	₩ (761,844,645)	₩ 759,063,529	₩ 247,924,996,406	₩ 1,009,199,717	₩ 362,510,088,118
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-
Changes in accounting policies	-	-	-	-	34,955,315	1,857,057,957	460,831	1,892,474,103
Balance as of January 1, 2022	46,822,295,000	100,589,604,129	(33,833,226,018)	(761,844,645)	794,018,844	249,782,054,363	1,009,660,548	364,402,562,221
Profit (loss) for the year	-	-	-	-	-	8,893,534,062	(226,355,584)	8,667,178,478
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	(1,279,392,733)	-	-	(1,279,392,733)
Foreign currency translation difference of foreign operations	-	-	-	-	6,879,060,621	-	2,488,912	6,881,549,533
Remeasurements of net defined benefit liability	-	-	-	-	218,714,154	-	-	218,714,154
Equity adjustments using equity method	-	-	-	-	557,007,333	-	-	557,007,333
<b>Transactions with owners</b>	-	-	-	-	-	-	-	-
Stock options	-	-	-	156,730,631	-	-	-	156,730,631
Dividends paid	-	-	-	-	-	(12,087,310,317)	-	(12,087,310,317)
Changes in scope of consolidation	-	-	(3,369,945,731)	-	-	-	(455,852,162)	(3,825,797,893)
<b>Balance as of December 31, 2022</b>	₩ 46,822,295,000	₩ 100,589,604,129	₩ (37,203,171,749)	₩ (605,114,014)	₩ 7,169,408,219	₩ 246,588,278,108	₩ 329,941,714	₩ 363,691,241,407
<b>Balance as of January 1, 2023</b>	₩ 46,822,295,000	₩ 100,589,604,129	₩ (37,203,171,749)	₩ (605,114,014)	₩ 7,169,408,219	₩ 246,588,278,108	₩ 329,941,714	₩ 363,691,241,407
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-
Profit (loss)	-	-	-	-	-	16,524,620,610	(52,265,660)	16,472,354,950
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	152,534,250	-	-	152,534,250
Foreign currency translation difference of foreign operations	-	-	-	-	766,717,177	-	24,318,559	152,534,250
Equity adjustments using equity method	-	-	-	-	824,139,446	-	-	824,139,446
<b>Transactions with owners</b>	-	-	-	-	-	-	-	-
Stock options	-	-	-	167,474,198	-	-	-	167,474,198
Dividends paid	-	-	-	-	-	(12,087,310,320)	-	(12,087,310,320)
Revaluation surplus	-	-	-	-	48,487,773,383	-	-	48,487,773,383
Disposal of treasury stocks	-	580,291,339	1,650,446,461	-	-	-	-	2,230,737,800
Retirement of treasury stock	-	-	5,341,731,164	-	-	(5,341,731,164)	-	-
Acquisition of treasury stocks	-	-	(1,210,324,160)	-	-	-	-	- 1,210,324,160
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	150,296,444	(150,296,444)	-	-
Remeasurements of net defined benefit liability	-	-	-	-	173,968,107	(173,968,107)	-	-
Changes in scope of consolidation	-	-	-	-	-	-	132,153,000	132,153,000
<b>Balance as of December 31, 2023</b>	₩ 46,822,295,000	₩ 101,169,895,468	₩ (31,421,318,284)	₩ (437,639,816)	₩ 57,724,837,026	₩ 245,359,592,683	₩ 434,147,613	₩ 419,651,809,690

The accompanying notes are an integral part the consolidated financial statements.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Consolidated statements of cash flows**  
**for each of the two years in the period ended December 31, 2023**

<i>(in Korean won)</i>	Note	2023	2022
<b>Cash flows from operating activities</b>			
Cash flow generated from operations	33	₩ 50,390,045,654	₩ 65,703,533,769
Interest received		4,858,334,048	2,153,679,076
Interest paid		(60,892,873,013)	(36,787,391,085)
Dividends received		1,774,517,504	2,317,493,254
Income taxes paid		(14,271,428,819)	(15,062,903,150)
<b>Net cash flows provided by (used in) operating activities</b>		<u>₩ (18,141,404,626)</u>	<u>₩ 18,324,411,864</u>
<b>Cash flows from investing activities</b>			
Increase in short-term financial Instruments		(10,468,625,531)	(50,237,110,000)
Decrease in short-term financial Instruments		2,937,110,000	54,110,000,000
Increase in short-term loans		(342,370,000)	(1,080,550,000)
Decrease in short-term loans		1,073,000,000	2,047,648,000
Increase in long-term financial instruments		(4,162,890,000)	(1,058,400)
Decrease in long-term financial instruments		1,000,000,000	224,795,436
Acquisition of financial assets at fair value through other comprehensive income		(302,700,000)	(523,762,990)
Acquisition of financial assets at fair value through profit or loss		(44,787,798,260)	(50,657,647,052)
Disposal of financial assets at fair value through profit or loss		41,153,504,768	49,491,433,519
Disposal of financial assets at amortized cost		-	5,000,000,000
Increase in guarantee deposits		(1,735,148,194)	(2,065,481,282)
Decrease in guarantee deposits		349,990,380	1,272,610,015
Acquisition of property, plant and equipment (excluding rental assets)		(74,150,100,661)	(25,633,724,625)
Disposal of property, plant and equipment (excluding rental assets)		22,360,652,632	761,578,075
Acquisition of intangible assets		(2,661,838,222)	(5,719,928,129)
Disposal of intangible assets		1,336,869,274	77,300,000
Acquisition of investment properties		(46,386,548,660)	-
Disposal of investment properties		-	36,363,636
Cash outflows due to changes in consolidated scope		(6,689,367,101)	-
Cash inflows due to changes in consolidated scope		7,391,529,177	(808,760,957)
Acquisition of non-current assets held for sale		7,724,142,355	-
<b>Net cash flows used in investing activities</b>		<u>₩ (106,360,588,043)</u>	<u>₩ (23,706,294,754)</u>
<b>Cash flows from financing activities</b>			
Repayment of short-term borrowings		(345,748,438,568)	(415,511,393,916)
Proceeds from short term borrowings		257,196,242,189	509,528,200,997
Repayment of current portion of long-term borrowings		(276,337,052,321)	(234,045,577,933)
Proceeds from current portion of long-term borrowings		-	22,685,350
Repayment of long term borrowings		(4,992,874,250)	(1,072,382,087)
Proceeds from long term borrowings		451,863,036,199	263,549,827,098
Repayment of bonds		(231,000,000,000)	(142,000,000,000)
Issue of bonds		280,663,368,400	97,993,315,000
Acquisition of treasury stocks		(1,210,324,160)	-
Payment of lease		(2,836,521,766)	(12,392,273,434)
Increase in guarantee deposits		693,696,100	80,506,000
Decrease in guarantee deposits		(845,420,000)	(2,000,000)
Dividends paid		(12,087,310,320)	(12,087,310,317)
Changes in non-controlling interest		949,377,000	(3,107,758,779)
<b>Net cash flows provided by-financing activities</b>		<u>₩ 116,307,778,503</u>	<u>₩ 50,955,837,979</u>
<b>Reclassification to assets held for sale</b>		<u>₩ (662,724,949)</u>	<u>₩ (109,907,491)</u>
<b>Net increase (decrease) in cash and cash equivalents before the effect of exchange rate changes</b>		(8,856,939,115)	45,464,047,598
Cash and cash equivalents as of January 1, 2023		131,861,397,964	85,232,019,813
Effect of exchange rate changes on cash and cash equivalents		(902,386,440)	1,165,330,553
<b>Cash and cash equivalents as of December 31, 2023</b>		<u>₩ 122,102,072,409</u>	<u>₩ 131,861,397,964</u>

The accompanying notes are an integral part the consolidated financial statements.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2023 and 2022**

**1. General Information**

**1.1 General Information of the Parent Company**

AJ Networks Co., Ltd. (the “Company”), the parent company, was incorporated on February 10, 2000 to engage in the business of long-and-short-term lease and sale of telecommunication equipment, OA equipment and special industrial equipment. The Company acquired and merged with “AJU L&F holdings”, which was its parent company, on December 30, 2013, as the date of merger, and changed its name from AJU Rental Co., Ltd to AJ Networks Co., Ltd. In addition, the Company has been listed on the Korea Stock Exchange since August 21, 2015.

The Company’s initial capital was 10,000 million Korean won and, after a number of capital increases, its paid-in capital is 46,822 million Korean won as of December 31, 2023. The Company’s major stockholders as of December 31, 2023 are as follows:

	Number of shares	Percentage of ownership (%)
Moon Duck Young	11,760,923	25.99
Moon Jee Whe	6,597,178	14.58
Moon Sun Woo	6,597,173	14.58
Ascenta III private equity partnership	3,498,445	7.73
Treasury shares	301,696	0.67
Others	16,497,344	36.45
	45,252,759	100.00

The consolidated financial statements have been prepared in accordance with KIFRS 1110 *Consolidated Financial Statements* for the purpose of consolidating 28 subsidiaries including AJ Total Co., Ltd (the Company and its subsidiaries, collectively referred to as the “Group”).

**1.2 Consolidated Subsidiaries**

Details of the consolidated subsidiaries as of December 31, 2023, are as follows:

	Location	Percentage of ownership		Closing month	Main operation
		Parent Company	Subsidiary		
AJ Total Co., Ltd.	Korea	100.00%	-	December	Franchise management
AJ Retail Co., Ltd. <sup>1</sup>	Korea	-	100.00%	December	Operation of convenience stores
AJ TOTAL VIETNAM Co., Ltd	Vietnam	100.00%	-	December	Rental of refrigerated warehouses
AJ DONG NAI COLD Co., Ltd. <sup>2,3</sup>	Vietnam	-	100.00%	December	Rental of refrigerated and freezer warehouses
AJ TOTAL HANOI Co.,Ltd.	Vietnam	100.00%	-	December	Rental of refrigerated warehouses
AJ Rental Service Co., Ltd.	Korea	100.00%	-	December	Rental of logistics pallets
AJ Rental Co., Ltd.	Vietnam	100.00%	-	December	Machinery rental for Construction and civil engineering
AJ JEONGUK SKY Co., Ltd.	Korea	100.00%	-	December	Machinery rental for Construction and civil engineering

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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	Location	Percentage of ownership		Closing month	Main operation
		Parent Company	Subsidiary		
AJ Daewon Co., Ltd.	Korea	100.00%	-	December	Comprehensive management of real estates and buildings
ACE INDUSTRIAL TECH CO., LTD. <sup>4</sup>	Korea	-	100.00%	December	Performance tests on machinery and equipment
AI & Solutions Co., Ltd. <sup>5,6</sup>	Korea	-	90.00%	December	Development, production, and sales of software
AJ Rental, Inc.	America	100.00%	-	December	Rental
AJ Rental Dallas, Inc. <sup>6</sup>	America	-	100.00%	December	Rental of industrial safety equipment I
AJ Networks America, Inc. <sup>6</sup>	America	-	100.00%	December	Management consulting
AJ International Togo, Inc. <sup>7</sup>	America	-	100.00%	December	Management consulting
Auto Gallery International, Inc. <sup>7</sup>	America	-	60.03%	December	Vehicle repairs
AJ Maintenance Partners Co., Ltd.	Korea	100.00%	-	December	Vehicle management
AJ Energy Co., Ltd.	Korea	100.00%	-	December	Oil sales and car wash
World Consulting Co., Ltd. <sup>8</sup>	Korea	100.00%	-	December	Management consulting
Four Seasons Consulting Co., Ltd. <sup>9</sup>	Korea	100.00%	-	December	Management consulting
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	100.00%	-	December	Service
AJ Rental Arabia, Ltd.	Saudi Arabia	100.00%	-	December	Rental
AJ ICT Co., Ltd.	Korea	99.83%	-	December	Service
AJ LogisValue Poland Sp. Z.o.o. <sup>10</sup>	Poland	100.00%	-	December	Packaging and logistics agency
AJ ECO SOLUTIONS Sp. Z.o.o. <sup>5</sup>	Poland	-	90.00%	December	Disposal of waste battery and other wastes
TS GLOBAL CO.	Korea	70.00%	-	December	Manufacturing, rental and sales of logistics containers
AJ LogisValue Hungary Kft.	Hungary	100.00%	-	December	Logistics packaging and rental of pallets
AJ LogisValue USA Inc.	America	100.00%	-	December	Logistics packaging and rental of pallets

<sup>1</sup> This is a subsidiary of AJ Total Co., Ltd., one of the Company's subsidiaries.

<sup>2</sup> The Company acquired 100% of the shares from external shareholders for the year ended December 31, 2023.

<sup>3</sup> This is a subsidiary of AJ Total Vietnam Co., Ltd., one of the Company's subsidiaries.

<sup>4</sup> This is a subsidiary of AJ Daewon Co., Ltd., one of the Company's subsidiaries.

<sup>5</sup> It was newly incorporated for the year ended December 31, 2023, and is a subsidiary of AJ LogisValue Poland Sp. Z.o.o.

<sup>6</sup> This is a subsidiary of AJ Rental, Inc., one of the Company's subsidiaries.

<sup>7</sup> This is a subsidiary of AJ Networks America, Inc., one of the Company's sub-subsidiaries.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**1.2 Consolidated Subsidiaries (cont'd)**

<sup>8</sup> Its name was changed from World Rent Car Co., Ltd. for the year ended December 31, 2023.

<sup>9</sup> Its name was changed from Four Seasons Rent Car Co., Ltd. for the year ended December 31, 2023.

<sup>10</sup> Its name was changed from AJ POLSKA Sp. z o. o. for the year ended December 31, 2023.

Details of the consolidated subsidiaries as of December 31, 2022, are as follows:

	Location	Percentage of ownership		Closing month	Main operation
		Parent Company	Subsidiary		
AJ Total Co., Ltd.	Korea	100.00%	-	December	Franchise management
AJ Hanlock Co., Ltd. <sup>1</sup>	Korea	-	100.00%	December	Comprehensive logistics service
AJ Retail Co., Ltd. <sup>1</sup>	Korea	-	100.00%	December	Operation of convenience stores
AJ TOTAL VIETNAM Co., Ltd	Vietnam	100.00%	-	December	Rental of refrigerated warehouses
AJ TOTAL HANOI Co.,Ltd.	Vietnam	100.00%	-	December	Rental of refrigerated warehouses
AJ Rental Service Co., Ltd.	Korea	100.00%	-	December	Rental of logistics pallets
AJ Rental Co., Ltd.	Vietnam	100.00%	-	December	Rental of machinery for construction and civil engineering
AJ JEONGUK SKY Co., Ltd.	Korea	100.00%	-	December	Rental of machinery for construction and civil engineering
AJ Daewon Co., Ltd.	Korea	100.00%	-	December	Comprehensive management of real estates and buildings
ACE INDUSTRIAL TECH CO., LTD. <sup>2,3</sup>	Korea	-	100.00%	December	Performance tests on machinery and equipment
AJ Rental, Inc.	America	100.00%	-	December	Rental
AJ Rental Dallas, Inc. <sup>4,5</sup>	America	-	100.00%	December	Rental of construction equipment
AJ Networks America, Inc. <sup>5</sup>	America	-	100.00%	December	Management consulting
AJ International Togo, Inc. <sup>6</sup>	America	-	100.00%	December	Management consulting
Auto Gallery International, Inc. <sup>6</sup>	America	-	60.03%	December	Vehicle repairs
AJ Maintenance Partners Co., Ltd.	Korea	100.00%	-	December	Vehicle management
AJ Energy Co., Ltd.	Korea	100.00%	-	December	Oil sales and car wash
World Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
Four season Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
AJ Networks First Limited Company <sup>7</sup>	Korea	-	-	March	Finance
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	100.00%	-	December	Service
AJ Auto Parking Systems Co., Ltd. <sup>8</sup>	Korea	100.00%	-	December	Manufacturing and construction of parking facilities
AJ Rental Arabia, Ltd.	Saudi Arabia	100.00%	-	December	Rental
AJ ICT Co., Ltd.	Korea	99.83%	-	December	Service
AJ POLSKA Sp. z o. o. <sup>2</sup>	Poland	100.00%	-	December	Packaging and logistics agency

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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	Location	Percentage of ownership		Closing month	Location
		Parent Company	Subsidiary		
TS GLOBAL CO. <sup>9</sup>	Korea	70.00%	-	December	Manufacturing, rental, and sales of logistics containers
AJ LogisValue Hungary Kft. <sup>2</sup>	Hungary	100.00%	-	December	Rental of logistics packaging and pallets

<sup>1</sup> It is a subsidiary of AJ Total Co., Ltd., one of the Company's subsidiaries.

<sup>2</sup> It was newly established for the year ended December 31, 2022.

<sup>3</sup> It is a subsidiary of AJ Daewon Co., Ltd., one of the Company's subsidiaries.

<sup>4</sup> 30% of the residual interest was acquired for the year ended December 31, 2022.

<sup>5</sup> It is a subsidiary of AJ Rental, Inc., one of the Company's subsidiaries.

<sup>6</sup> It is a subsidiary of AJ Networks America Inc., one of the Company's sub-subsidiaries.

<sup>7</sup> It is a special purpose corporation established to borrow trade receivables from the Korea Development Bank. The Company classified it as its subsidiary with its power over it, and it is also exposed to variable profits.

<sup>8</sup> 0.16% of the residual interest was acquired for the year ended December 31, 2022.

<sup>9</sup> 70% of the shares was newly acquired for the year ended December 31, 2022.

### 1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as of and for the years ended December 31, 2023 and 2022, is as follows:

(in millions of Korean won)

Subsidiary	2023						Total comprehensive income (loss)
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year		
AJ Total Co., Ltd. <sup>1</sup>	₩ 34,111	₩ 12,547	₩ 21,564	₩ 31,586	₩ 3,993	₩ 3,993	
AJ Energy Co., Ltd.	38,366	12,828	25,538	244,915	52	4,154	
AJ Maintenance Partners Co., Ltd.	7,837	5,741	2,096	38,556	(825)	(825)	
AJ TOTAL VIETNAM Co., Ltd <sup>1</sup>	72,414	55,910	16,504	9,071	(4,907)	(4,515)	
AJ TOTAL HANOI Co.,Ltd.	9,192	200	8,992	-	467	373	
AJ Rental Service Co., Ltd.	8,226	7,764	462	74,074	(11)	(11)	
AJ JEONGUK SKY Co., Ltd.	5,774	597	5,177	7,647	902	902	
AJ Rental Co., Ltd.	18,592	7,026	11,566	7,956	440	323	
AJ Rental, Inc. <sup>1</sup>	99,343	7,411	91,932	24,362	6,946	8,385	
World Consulting Co., Ltd.	607	-	607	-	23	23	
Four Seasons Consulting Co., Ltd.	180	341	(161)	-	(8)	(8)	

**AJ Networks Co., Ltd. and its subsidiaries**  
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Subsidiary	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Daewon Co., Ltd. <sup>1</sup>	9,208	4,065	5,143	30,251	759	759
Ryu Ga Hyoung Golf Academy Co., Ltd.	251	74	177	537	(92)	(92)
AJ Rental Arabia, Ltd.	50	11	39	116	(2)	(1)
AJ ICT Co., Ltd.	24,157	17,590	6,567	43,286	209	275
AJ LogisValue Poland Sp. Z.o.o <sup>1</sup>	6,107	6,577	(470)	15,894	(1,345)	(1,307)
TS GLOBAL CO.	3,204	965	2,239	9,831	941	941
AJ LogisValue Hungary Kft.	214	329	(115)	27	(123)	(123)
AJ LogisValue USA Inc.	1,145	8	1,137	20	(154)	(165)

<sup>1</sup> Financial information based on consolidated financial statements of subsidiaries.

(in millions of Korean won)

Subsidiary	2022					
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Total Co., Ltd. <sup>1</sup>	₩ 33,131	₩ 7,559	₩ 25,572	₩ 51,200	₩ (2,815)	₩ (2,815)
AJ Energy Co., Ltd.	46,404	25,020	21,384	417,709	1,942	1,942
AJ Maintenance Partners Co., Ltd.	8,905	5,984	2,921	38,155	241	241
AJ TOTAL VIETNAM Co., Ltd	68,529	47,510	21,019	7,986	(2,779)	(2,001)
AJ TOTAL HANOI Co.,Ltd.	8,698	79	8,619	-	(312)	(39)
AJ Rental Service Co., Ltd.	7,905	7,432	473	65,368	191	191
AJ JEONGUK SKY Co., Ltd.	5,255	979	4,276	5,380	373	373
AJ Rental Co., Ltd.	17,419	6,176	11,243	6,717	939	1,222
AJ Rental, Inc. <sup>1</sup>	99,197	15,674	83,523	22,443	(2,208)	3,585
World Rent-A-Car Co., Ltd.	583	-	583	-	13	13
Four season Rent-A-Car Co., Ltd.	174	328	(154)	-	(15)	(15)
AJ Daewon Co., Ltd. <sup>1</sup>	8,006	3,652	4,354	26,571	624	624
Ryu Ga Hyoung Golf Academy Co., Ltd.	45	76	(31)	474	(133)	(133)
AJ Rental Arabia, Ltd.	43	3	40	156	16	17
AJ ICT Co., Ltd.	15,995	9,703	6,292	43,284	534	534
AJ POLSKA Sp. z o. o.	5,792	5,058	734	10,442	(264)	(262)
TS GLOBAL CO.	3,192	1,894	1,298	1,378	(158)	(158)

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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Subsidiary	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ LogisValue Hungary Kft.	10	2	8	-	(2)	(2)
AJ Networks First Limited Company	15,372	15,369	3	1,050	-	-

<sup>1</sup> Financial information based on consolidated financial statements of subsidiaries.

#### 1.4 Changes in Scope for Consolidation

Subsidiaries newly included in or excluded from the consolidation for the year ended December 31, 2023 are as follows:

Subsidiary	Reason
AI & Solutions Co., Ltd.	
AJ ECO SOLUTIONS sp. z o. o.	It was newly established.
AJ LogisValue USA Inc.	
AJ DONG NAI COLD CO., Ltd.	It was newly acquired by AJ TOTAL VIETNAM CO., Ltd.
AJ Auto Parking Service Co., Ltd.	
AJ Hanrok Co., Ltd.	It was excluded from the consolidation scope due to the sale of equity.
AJ Networks First Limited Company	It was excluded from the consolidation scope due to liquidation.

## 2. Material Accounting Policies

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation

The Group prepares its consolidated financial statements in Korean in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"), enacted based on the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version shall prevail. The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value;



## **2.1 Basis of Preparation (cont'd)**

- assets held for sale – measured at fair value less costs to sell; and
- defined benefit pension plans – plan assets measured at fair value.

The preparation of consolidated financial statements requires the use of material accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

## **2.2 Changes in Accounting Policies and Disclosures**

### **2.2.1 Changes in accounting policies**

#### **(a) Property, plant and equipment**

The Group has changed its subsequent measurement method for land and buildings among property, plant and equipment from the cost model to the revaluation model for the year ended December 31, 2023. This change in accounting policy is intended to measure the Group's land at fair value, thereby making it possible to provide more reliable and relevant information about its impact on the Group's financial position, financial performance, or cash flows. When the accounting policy on revaluation of assets is applied for the first time in accordance with KIFRS 1016 *Property, Plant and Equipment*, it is not retroactively applied. Therefore, the Group did not restate its prior consolidated financial statements for comparative purpose, and instead, subsequently explains it in note 2.4.

#### **(b) Investment property**

The Group has changed its subsequent measurement method for investment properties from the cost model to the fair value model for the year ended December 31, 2023. This change in accounting policy is intended to measure the Group's investment properties at fair value, thereby making it possible to provide more reliable and relevant information about its impact on the Group's financial position, financial performance, or cash flows. When the accounting policy on the fair value of investment properties is applied for the first time in accordance with KIFRS 1008 *Accounting Policies, Changes, in Accounting Estimates and Errors*, the Group restates its prior consolidated financial statements for comparative purpose, and subsequently explains it in note 2.27.

## **2.2.2 New and amended standards and interpretations**

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **KIFRS 1117 Insurance Contracts**

KIFRS 1117 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 *Insurance Contracts*. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach mainly for short-duration contracts (the premium allocation approach).

The new standard had no impact on the Group's consolidated financial statements.

### **Definition of Accounting Estimates – Amendments to KIFRS 1008**

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

### **Disclosure of Accounting Policies – Amendments to KIFRS 1001 and KIFRS Practice Statement 2**

The amendments to KIFRS 1001 and KIFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to KIFRS 1012**

The amendments to KIFRS 1012 Income Taxes narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no material impact on the Group's consolidated financial statements.

## **2.2.2 New and amended standards and interpretations (cont'd)**

### **International Tax Reform—Pillar Two Model Rules – Amendments to KIFRS 1012**

The amendments to KIFRS 1012 have been introduced in response to the OECD's BEPS Pillar Two Model Rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

Meanwhile, the Group's sales exceed 750 million euros, falling within the scope of application of the Pillar Two Model Rules. Pillar Two legislation has been enacted or substantially enacted in some of the countries in which the Group operates. The Pillar Two legislation will go into effect in the Group's fiscal year beginning on January 1, 2024. The Group has assessed its potential exposure to Pillar Two income tax as it falls within the scope of the enacted or substantially enacted Pillar Two legislation, and the amendments are not expected to have a significant impact on the Group's consolidated financial statements.

## **2.2.3 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### **Amendments to KIFRS 1116: *Lease Liability in a Sale and Leaseback***

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

### **2.2.3 Standards issued but not yet effective (cont'd)**

#### **Amendments to KIFRS 1001: *Classification of Liabilities as Current or Non-current***

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### **Supplier Finance Arrangements – Amendments to KIFRS 1007 and KIFRS 1107**

The amendments to KIFRS 1007 Statement of Cash Flows and KIFRS 1107 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

#### **Lack of Exchangeability – Amendments to KIFRS 1021 and KIFRS 1101**

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* and consequential amendments to KIFRS 1101 *First-time Adoption of IFRS* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments require disclosure of information that enables users of financial statements to understand the risk and impact of a currency not being exchangeable. The amendments apply to annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

## **2.3 Material Accounting Policies**

The Group has prepared its consolidated financial statements in accordance with KIFRS 1110 *Consolidated Financial Statements*.

### **2.3.1 Consolidation**

#### *(a) Business combination*

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except for the issuance cost of debt or equity securities accounted for according to KIFRS 1032 and 1109.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

#### *(b) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### *(c) Non-controlling interests*

Non-controlling interests in a subsidiary are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**2.3.1 Consolidation (cont'd)**

*(d) Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*(e) Interests in equity method accounted investees*

The Group's interests in equity method accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity method accounted investees, until the date on which significant influence or joint control ceases.

*(f) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

*(g) Business combinations under a common control*

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as capital surplus or capital adjustments.

### **2.3.2 Discontinued operations**

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

If there is a discontinued operation, the Group restates the statement of comprehensive income as if it had been discontinued from the beginning of the comparative period presented.

### **2.3.3 Foreign Currency Translation**

#### *(a) Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss. They are recognized in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented within 'other income or other expenses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

### **2.3.4 Non-derivative financial assets**

#### *(a) Classification*

The Group classifies its financial assets in the following measurement categories:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- financial at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt securities, this will depend on the business model in which the investment is held. The Group reclassifies debt securities when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of non-designated equity investment are recognized in profit or loss.

#### *(b) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### *A. Debt securities*

Subsequent measurement of debt securities depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt securities into one of the following three measurement categories.

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.



#### **2.3.4 Non-derivative financial assets (cont'd)**

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are recognized in other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income' or 'other expense' and impairment losses are presented in 'other expenses'.
- Fair value through profit or loss: Assets that do not meet the criteria to be measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within 'other income' or 'other expense' in the year in which it arises.

#### *B. Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income' or 'other expense' in the statement of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

#### *(c) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt securities carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (note 4.1.2 provides more detail of how the Group determines there has been a significant increase in credit risk.)

#### **2.3.4 Non-derivative financial assets (cont'd)**

##### *(d) Recognition and derecognition*

Regular-way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as “borrowings” in the statement of financial position (note 16).

##### *(e) Offsetting of financial instruments*

Financial assets and liabilities are offset, and presented at the net amount in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

#### **2.3.5 Derivative instruments**

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other income (expenses)' or 'finance income (costs)' based on the nature of transactions.

#### **2.3.6 Trade receivables**

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. See note 35 for further information about the Group's accounting for trade receivables and note 35 for a description of the Group's accounting policy for impairment.

#### **2.3.7 Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined using the specific identification method and etc.

### **2.3.8 Non-current assets (or disposal group) held for sale**

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower of their carrying amount and the fair value less costs to sell.

### **2.3.9 Property, plant and equipment (including rental assets)**

Land and buildings are measured at fair value, based on the amount appraised by an independent external evaluator. Revaluations are carried out periodically at the end of the reporting period to ensure that the book value of assets does not significantly differ from fair value. Property, plant and equipment, excluding land and buildings, are presented deducting accumulated depreciation and accumulated impairment losses from the historical cost. The historical cost includes expenses directly related to the acquisition of the assets.

When the book value of an asset increases through revaluation, the increase is recognized as other comprehensive income and, after deducting deferred corporate tax, is incremented to capital under the heading of "Revaluation Surplus". However, if there is a previously recognized revaluation decrease for the same asset, up to that amount, the revaluation increase is recognized in profit or loss. If the book value of an asset decreases by revaluation, the decrease is recognized in profit or loss, but if there is a balance of revaluation surplus for the asset, the revaluation decrease is recognized in other comprehensive income up to that amount. Property, plant and equipment, excluding land and buildings, are depreciated over the estimated useful economic life using the straight-line method for the amount deducted from the acquisition cost by the residual value.

The estimated useful lives of the Group's property, plant and equipment and rental assets are as follows:

	<b>Useful lives</b>
<b>Property, plant and equipment</b>	
Buildings	20, 40 years
Structures	8 years
	2 – 5
Furniture and fixture	years
	4, 8
Vehicles	years
	4 – 10
Machinery	years
Facilities	4 years
<b>Rental assets</b>	
	1 – 6
OA rental assets	years
	1 – 12
Rental assets of industrial safety equipment	years
Rental assets of pallets	3 – 10
	years

### **2.3.9 Property, plant and equipment (including rental assets) (cont'd)**

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Gain or loss arising from the disposal of property, plant and equipment is determined by the difference between the net disposal proceeds and the book value, and is recognized as either other income or other expense. Upon disposal, any revaluation surplus related to the asset intended for sale is reclassified to retained earnings.

For rental assets, when the rental contract is terminated and held for sale, the carrying amount of rental assets is transferred to inventories.

### **2.3.10 Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

### **2.3.11 Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

### **2.3.12 Intangible Assets**

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for intended use. The residual value of intangible assets is zero. However, as useful lives of intangible assets are not foreseeable to the periods over which memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

### **2.3.12 Intangible assets (cont'd)**

The estimated useful lives of the Group's intangible assets for the year ended December 31, 2023 are as follows:

	<b>Useful lives</b>
Software	1 – 5 years
Others	2 – 5

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

### **Subsequent expenditures**

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are not recognized as assets but expensed as incurred.

### **2.3.13 Investment property**

Investment properties that the Company holds to earn rental income, capital gains, or both, are initially measured at cost, including transaction costs at the time of initial recognition. After initial recognition, investment properties are measured at fair values reflecting the current market conditions as of the end of the reporting period, and the gains or losses arising from changes in fair values are recognized in profit or loss of the period in which they occur. A replacement of investment properties only occurs when the purpose of a property changes.

If an investment property is replaced by owner-occupied property or inventories, the deemed cost is its fair value at the date of change in use, and if an owner-occupied property is replaced by an investment property, the difference between book value at the date of change in use and fair value is accounted for in the same way as the revaluation accounting treatment under KIFRS 1016. If inventories and construction in progress are replaced by investment properties, the difference between the book value and the fair value at the date of change in use is recognized in profit or loss.

When investment properties are to be disposed of or when no further economic benefit is expected from the discontinuance of use and disposal of the properties, they are removed from the consolidated statement of financial position. The gain or loss from the disposal or interruption of investment properties is the difference between the net disposal amount and the carrying amount and is recognized as profit or loss for the period of disposal (the accounting of sale after lease contracts applies KIFRS 1116 to be recognized as a loss on disposal).

### **2.3.14 Impairment of non-financial assets**

An impairment test is conducted annually for goodwill or intangible assets with an indefinite useful life, and when there are indicators of impairment for depreciable assets. Investment shares in related parties are tested for impairment only when there are indications that the carrying amount may not be recoverable.

Impairment loss is recognized when the carrying amount exceeds the recoverable amount (the higher of net fair value and value in use or fair value less costs to sell), and for assets other than goodwill, the potential for reversal is reviewed at each reporting period end.

The recoverable amount of an asset is the higher of its value in use and its net fair value and is determined for each individual asset, unless cash inflow of that individual asset is not largely independent of the cash inflow from other assets or groups of assets, in which case it is determined by the cash-generating unit to which it belongs. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to its recoverable amount.

The value in use is estimated using the present value discounted at a pre-tax discount rate that reflects the time value of money and the risks specific to the asset of the projected future cash flows. The net fair value considers recent transaction prices and if such transactions are identified any valuation model is applied. These calculations include valuation multiples, market capitalization of public stocks, or other fair value indicators.

The Group calculates impairment based on specific financial forecasts/budgets prepared for each cash-generating unit to which the individual assets have been distributed. Financial budgets/forecasts generally cover a period of 5 years, and a terminal growth rate is calculated for longer periods and applied for periods beyond 5 years.

Impairment loss is recognized in profit or loss consistent with expense items related to the function of the impaired asset. For assets, excluding goodwill, indications as to whether a previously recognized impairment loss no longer exists, or has decreased, are assessed at each reporting period end and when such indications exist, recoverable amounts are estimated. A previously recognized impairment loss for an asset, excluding goodwill, is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The recovery reverses to the net carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years and is recognized in profit or loss.

### **2.3.15 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months [or the normal operating cycle of the Company] after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### **2.3.16 Financial liabilities**

#### *(a) Classification and measurement*

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade and other payables', and 'borrowings' in the statement of financial position.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Preferred shares that require mandatory redemption on a specific date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of comprehensive income as 'finance costs', together with interest expenses recognized from other financial liabilities.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### *(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the

### **2.3.16 Financial liabilities (cont'd)**

carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### **2.3.17 Financial guarantee contracts**

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under KIFRS 1109 *Financial Instruments*; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with KIFRS 1115 *Revenue from Contracts with Customers*.

The fair value of a financial guarantee contract is determined based on the market price of similar financial instruments, comparing the interest rates of borrowings with and without financial guarantees, or based on the amount to be paid for financial guarantees.

The related liability is recognized as other financial liabilities in the consolidated statement of financial position.

### **2.3.18 Compound financial instruments**

Compound financial instruments are convertible notes that can be converted into equity instruments at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost until extinguished on conversion or maturity of the bonds. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

### **2.3.19 Provisions**

Provisions for service warranties, restoration, and legal proceedings are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.



### **2.3.20 Current and deferred tax**

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

### **2.3.21 Employee benefits**

#### *(a) Post-employment benefits*

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit

### **2.3.21 Employee benefits (cont'd)**

expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depends on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

#### *(b) Share-based payments*

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

Certain entities within the Group provide long-term employee benefits to which employees with service period for ten years and above are entitled. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

### **2.3.22 Revenue recognition**

#### *(a) Revenue from contracts with customers*

- Sale of goods: Revenue from sales of goods is recognized when the products have been delivered to the customer.
- Rendering of services: For revenue from rendering of services in relation to cold storage and real estate rental services, the Group recognizes the allocated transaction price for each performance obligation over the contract period as revenue over the service period.

#### *(b) Interest income*

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

#### *(c) Dividend income*

Dividend income is recognized when the right to receive payment is established.

### **2.3.23 Leases**

#### *(a) Lessor*

The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group, a manufacturer, or dealer lessor, recognizes the following for each of its finance leases:

- revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest; and
- the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. In case of financial lease receivables of which credit is impaired, however, finance income is calculated by referring to amortized cost (that is, the amount net of provision for impairment).

In case where the Group is an intermediate lessor, the Group accounts for the head lease and sublease as two separate contracts. The Group classifies the sublease as a finance lease or an operating lease depending on the right-of-use assets arising from the head lease, not an underlying asset.

### **2.3.23 Leases (cont'd)**

The Group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

After initial recognition, the Group reviews the estimated non-guaranteed residual value on a regular basis and recognizes the expected credit loss of lease receivables as loss allowance by applying the requirements for derecognition and impairment of KIFRS 1109.

The Group allocates the promised amount of consideration to each component by applying KIFRS 1115 in case where lease and non-lease components are included in contracts.

#### *(b) Lessee*

The Group leases various offices, warehouses, retail stores, equipment, and cars. Lease contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees;
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option; and

### **2.3.23 Leases (cont'd)**

- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held entity, which does not have recent third-party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

### **2.3.23 Leases (cont'd)**

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group elected not to apply the revaluation model to buildings held by the Group that are presented in the right-of-use assets.

Payments associated with short-term leases of all equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

#### *(c) Variable lease payments*

Variable payment terms are used for a variety of reasons, including minimizing the fixed costs. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

#### *(d) Extension and termination options*

Extension and termination options are included in a number of property, plant and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### **2.3.24 Earnings per share**

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share are calculated by dividing profit for the period by sum of weighted-average number of ordinary shares outstanding and weighted-average number of potential dilutive ordinary shares. The potential dilutive shares are reflected in the calculation for dilutive earnings per share when there are dilutive effects.

### **2.3.25 Segment reporting**

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 4). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

### **2.3.26 Approval of issuance of the consolidated financial statements**

The consolidated financial statements for the year ended December 31, 2023 were approved for issue by the Board of Directors on February 21, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting.

## **2. Material Accounting Policies (cont'd)**

### **2.4 Change in Accounting Policy**

#### (a) Application of revaluation model for property, plant and equipment

The Group has reviewed the accounting treatment for the measurement of certain categories of property, plant and equipment after initial recognition. Previously, all property, plant and equipment were measured using the cost model as stipulated in paragraph 30 of KIFRS 1016. Accordingly, assets classified as property, plant and equipment were accounted for at cost less depreciation after initial recognition.

For the year ended December 31, 2023, the Group opted to change the subsequent measurement method of land and buildings classified as property, plant and equipment to the revaluation model. We believe that the revaluation model more effectively reflects the financial position of land and buildings and that fair values can be reliably measured in the real estate market where the assets are located. The Group has applied the revaluation model retrospectively.

The Group applies the revaluation model to land and buildings, whereby land is measured at fair value as of revaluation date and buildings are measured at fair value less accumulated depreciation and impairment losses as of revaluation date.

#### (b) Application of fair value model to investment property

The Group has reviewed the accounting treatment for the measurement of investment property after initial recognition. Previously, investment property was measured using the cost model under paragraph 56 of KIFRS 1040 and assets classified as property, plant and equipment were recognized at cost less depreciation after initial recognition.

For the year ended December 31, 2023, the Group changed the subsequent measurement method of investment property to the fair value model. This change in accounting policy is to provide more reliable and appropriate information about the impact of measuring land and buildings at fair value on the Group's financial position, financial performance, or cash flows. The Group has applied this retrospectively in accordance with KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### (c) Financial impact of change in accounting policies

The financial impact of the changes in accounting policies regarding the subsequent measurement of property, plant and equipment and investment properties is as follows.

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**2.4 Change in Accounting Policy (cont'd)**

(1) As of December 31, 2023

*(in thousands of Korean won)*

Classification	Dec 31, 2023					
	Assets	Liabilities	Equity	Revenue	Net Income (loss)	Total Comprehensive income (loss)
Before change	₩ 1,530,995,003	₩ 1,182,189,054	₩ 348,805,949	₩ 1,001,975,994	₩ (5,885,733)	₩ (4,118,023)
Adjustment						
KIFRS 1016 – revaluation model for property, plant and equipment	62,346,656	13,858,883	48,487,773	-	-	48,487,773
KIFRS 1040 - fair value model for investment properties	28,815,683	6,457,595	22,358,088	-	22,358,088	22,358,088
Total	91,162,339	20,316,478	70,845,861	-	22,358,088	70,845,861
After change	₩ 1,622,157,342	₩ 1,202,505,532	₩ 419,651,810	₩ 1,001,975,994	₩ 16,472,355	₩ 66,727,838

(2) As of December 31, 2022

*(in thousands of Korean won)*

Classification	Dec 31, 2022					
	Assets	Liabilities	Equity	Revenue	Net Income (loss)	Total Comprehensive income (loss)
Before change	₩ 1,481,445,371	₩ 1,119,559,529	₩ 361,885,842	₩ 1,193,651,666	₩ 8,769,534	₩ 15,132,132
Adjustment						
KIFRS 1040 - fair value model for investment properties	1,923,369	117,970	1,805,399	-	(102,356)	(87,075)
After change	₩ 1,483,368,740	₩ 1,119,677,499	₩ 363,691,241	₩ 1,193,651,666	₩ 8,667,178	₩ 15,045,057



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**2.4 Change in Accounting Policy (cont'd)**

(3) As of January 1, 2022

(in thousands of Korean won)

	Jan 1, 2022		
	Assets	Liabilities	Equity
Before change	₩ 1,354,202,346	₩ 992,534,362	₩ 361,667,984
			Adjustment
KIFRS 1040 - fair value model for investment properties	2,785,110	50,532	2,734,578
After change	₩ 1,356,987,456	₩ 992,584,894	₩ 364,402,562

### **3. Material Accounting Estimates and Assumptions**

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

#### *(a) Impairment loss of goodwill*

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (See note 10).

#### *(b) Income taxes*

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (See note 31).

The Group is subject to additional corporate tax calculated according to the method prescribed by tax law if it does not utilize a certain amount of taxable income for investments, wage increases, etc. during a specific period. Therefore, when measuring current and deferred corporate tax for that period, the tax effects resulting from this must be reflected, and the corporate tax burden may vary each year according to the level of investments, wage increases, etc., leading to uncertainty in the final tax effect calculation.

#### *(c) Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (See note 8).

#### *(d) Impairment of financial assets*

The provisions for impairment of financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### **3. Material Accounting Estimates and Assumptions (cont'd)**

(e) Impairment of non-financial assets

The Group evaluates the existence of any impairment indicators for all non-financial assets as of the end of every reporting period. An impairment test is performed annually for goodwill and intangible assets with indefinite useful lives or when impairment indicators are present. For other non-financial assets, we review annually whether there are indicators that the carrying amount may not be recoverable and perform an impairment test when such indicators are present. The company measures the recoverable amount of the asset as the higher of its value in use or its fair market value less disposal costs, and compares this to the carrying amount of the asset.

To calculate the value in use, management must estimate the future expected cash flows arising from the asset or cash generating unit and choose an appropriate discount rate to calculate the present value of these future expected cash flows. Details of key assumptions are described in note 8.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced and recognized immediately as expense for the current period.

Goodwill acquired through business combinations is allocated to each cash generating unit that is expected to benefit from the synergies of the combination. Any impairment loss for a cash-generating unit is initially applied to the carrying amount of the goodwill allocated to the unit, then to the carrying amounts of the other assets in the unit. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

At the end of each reporting period, we review whether there are signs that impairment losses recognized in previous periods for assets, other than goodwill, no longer exist or have decreased. A reversal of an impairment loss is only made when there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The increased carrying amount due to the reversal of an impairment loss cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized in the past.

(f) *Lease*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate); and

### 3. Material Accounting Estimates and Assumptions (cont'd)

- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### 4. Operating Segments

The management (senior executives), which conducts strategic decision-making, makes decisions on the Group's operating division. The Board of Directors makes decisions on the resources to be allocated to the division and, to evaluate the division's performance, is conducting review based on the division's operating profit.

Sales are mostly composed of rental revenues, revenue from the sale of goods and others. The Group's operating division is identified on the basis of organization and the type of revenue-creating service. As at the end of the reporting period, the operating segment consists of rental, refrigerated and distribution, and others.

The information, by operating division, for each of the two years in the period ended December 31, 2023 was prepared as subsequent to intercompany transaction adjustment.

*(in thousands of Korean won)*

	<b>2023</b>			
	<b>Rental</b>	<b>Warehouse and distribution</b>	<b>Others</b>	<b>Total</b>
Operating revenue	₩ 592,632,545	₩ 343,502,100	₩ 65,841,349	₩ 1,001,975,994
Depreciation	156,482,182	4,775,772	437,763	161,695,716
Amortization	1,485,383	861,009	1,649,090	3,995,482
Operating profit (loss)	81,603,579	(584,901)	(2,632,821)	78,385,857

*(in thousands of Korean won)*

	<b>2022</b>			
	<b>Rental</b>	<b>Warehouse and distribution</b>	<b>Others</b>	<b>Total</b>
Operating revenue	₩ 622,885,616	₩ 508,641,189	₩ 62,124,861	₩ 1,193,651,666
Depreciation	146,699,327	4,640,478	616,827	151,956,632
Amortization	867,793	938,757	1,730,178	3,536,728
Operating profit (loss)	77,127,664	363,928	(1,072,929)	76,418,663

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**4. Operating Segments (cont'd)**

The information on assets and revenues by each operating segment reported to the management as of and for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	<b>Revenue from external customers<sup>1</sup></b>		<b>Non-current assets<sup>2</sup></b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Domestic	₩ 1,031,981,570	₩ 1,194,510,436	₩ 1,317,030,425	₩ 1,112,737,488
Foreign	58,139,518	40,339,295	137,356,353	151,430,467
Consolidation adjustments	(88,145,094)	(41,198,065)	(204,113,402)	(192,041,028)
	<u>₩ 1,001,975,994</u>	<u>₩ 1,193,651,666</u>	<u>₩ 1,250,273,376</u>	<u>₩ 1,072,126,927</u>

<sup>1</sup> Revenue is attributed to the country based on the customer's location.

<sup>2</sup> The amount excludes financial instruments and deferred tax assets.

There is no customer whose revenue from external customers exceeds 10% of the Group's total revenue for each of the two years in the period ended December 31, 2023.

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**5. Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2023 and 2022 consist of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Cash on hand	₩ 28,947	₩ 34,387
Bank deposits and others	122,073,125	131,827,011
	<u>₩ 122,102,072</u>	<u>₩ 131,861,398</u>

Financial instruments which are restricted in use as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>Financial institutions</b>	<b>2023</b>	<b>2022</b>	<b>Description</b>
Cash and cash equivalents	Bank of America	₩ 38,682	₩ -	- Deposit for opening credit cards
	KEB Hana Bank / BIDV Bank	483,540	-	- Establishment of pledge for scheduled interest repayment
Short-term financial instruments	Shinhan bank	315,600	626,210	Establishment of pledge for guarantee deposits and scheduled payment for purchase
	Hana bank	2,128	2,400,000	
Long-term financial instruments	Shinhan bank	4,770,390	1,354,000	Establishment of pledge for collaterals, guarantee deposits, deposits for checking accounts and other
	Hana bank	2,000	2,000	
	Citibank Korea Inc	2,500	2,500	
		<u>₩ 5,614,840</u>	<u>₩ 4,384,710</u>	

**6. Inventories**

Inventories as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Raw materials	₩ 214,768	₩ 285,277
Merchandises	14,447,906	21,087,758
Allowance for valuation of merchandises	(1,063,940)	(104,993)
Supplies	4,227,813	3,756,695
	<u>₩ 17,826,547</u>	<u>₩ 25,024,737</u>

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**7. Financial Assets at Fair Value**

Financial assets at fair value as of December 31, 2023 and 2022 are as follows:

*(in thousands of Korean won)*

	<b>2023</b>	
	<b>Acquisition cost</b>	<b>Carrying amount</b>
Financial assets at fair value through other comprehensive income		
Equity instrument	₩ 13,805,418	₩ 13,447,136
Financial assets at fair value through profit or loss (current)		
Debt instrument	7,001,652	1,428,486
Financial assets at fair value through profit or loss (non-current)		
Equity instrument	32,700,831	17,052,612
Debt securities	1,011,330	933,505
	<u>33,712,161</u>	<u>17,986,117</u>
	<u>₩ 54,519,231</u>	<u>₩ 32,861,739</u>

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**7. Financial Assets at Fair Value (cont'd)**

*(in thousands of Korean won)*

	<b>2022</b>	
	<b>Acquisition cost</b>	<b>Carrying amount</b>
Financial assets at fair value through other comprehensive income		
Equity instrument	₩ 13,307,853	₩ 12,685,376
Financial assets at fair value through profit or loss (current)		
Debt instrument	6,461,652	3,848,587
Financial assets at fair value through profit or loss (non-current)		
Equity instrument	26,308,682	22,262,537
Debt securities	540,000	549,723
	<u>26,848,682</u>	<u>22,812,260</u>
	<u>₩ 46,618,187</u>	<u>₩ 39,346,223</u>

Changes in financial assets at fair value for each of the two years in the period ended December 31, 2023 are as follows:

*(in thousands of Korean won)*

	<b>2023</b>	<b>2022</b>
Balance as of January 1	₩ 39,346,223	₩ 43,330,955
Acquisition	45,090,498	51,240,130
Disposal	(41,186,170)	(49,522,488)
Gains and losses on valuation	(10,696,228)	(4,349,001)
Others <sup>1</sup>	307,416	(1,353,374)
Balance as of December 31	<u>₩ 32,861,739</u>	<u>₩ 39,346,223</u>

<sup>1</sup> Others include replacements to non-current assets held for sale.



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**8. Investments in Associates**

Investments in associates as of December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)	2023						
	Ownership	Acquisition cost	Beginning balance	Share of profit or loss of associates	Dividend received	Others	Ending balance
AJ Fleet Link Co., Ltd.	50.00%	₩ 150,000	₩ 175,519	₩ 2,307	₩ -	₩ -	₩ 177,826
Darae Parktech Co., Ltd. <sup>1,2</sup>	37.30%	7,867,982	3,846,249	(1,800,789)	-	(2,045,460)	-
Cha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	7,313,364	786,569	(474,000)	(10,922)	7,615,011
Cha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	4,951,886	2,129,616	-	-	7,081,502
Cha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	7,856,563	979,397	-	840,969	9,676,929
A2 PARTNERS RHINOS No. 1 private equity partnership	33.20%	18,503,407	18,841,132	(18,841,132)	-	-	-
Auto Gallery Holdings, Inc.	49.98%	18,087,600	8,981,929	215,154	-	150,618	9,347,702
BNP INC.	25.00%	75,000	1,262,371	(280,126)	-	-	982,245
MostX Co., Ltd. <sup>3,4,5,6</sup>	10.53%	9,078,712	10,687,834	(2,023,687)	-	(3,518,155)	5,145,992
Junsyml.com co.,Ltd.	33.33%	10,000,527	4,515,440	(1,388,222)	-	-	3,127,218
		₩ 89,463,228	₩ 68,432,287	₩ (20,220,912)	₩ (474,000)	₩ (4,582,950)	₩ 43,154,424

<sup>1</sup> The Group has the right to acquire 7.5% of equity stake from the largest shareholder through an additional agreement on March 9, 2021, and it holds the right to demand a joint sale of all shares held by the largest shareholder if certain conditions are not met (See note 19).

<sup>2</sup> For the year ended December 31, 2023, the Group recognized the loss of KRW 2,102 million due to the difference between the recoverable amount and book value in relation with Darae Parktech Co., Ltd.

<sup>3</sup> The shareholding percentage considering only ordinary shares is 15.38%. The Group classified it as an associate with its right to appoint directors at the Board of Directors.

<sup>4</sup> Its name was change from All Rental Co., Ltd. for the year ended December 31, 2023.

<sup>5</sup> For the year ended December 31, 2023, the Group recognized the loss of KRW 3,491 million due to the difference between the recoverable amount and book value in relation with Most EX Co., Ltd.

<sup>6</sup>In connection with the equity investment in Most EX Co., Ltd., the Group recognizes derivative assets of KRW 1 million and derivative liabilities of KRW 5,146 million (See note 19).

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**8. Investments in Associates (cont'd)**

(in thousands of  
Korean won)

	Ownership	2022					
		Acquisition cost	Beginning balance	Share of profit or loss of associates	Dividend received	Others	Ending balance
AJ Fleet Link Co., Ltd.	50.00%	₩ 150,000	₩ 153,666	₩ 21,853	₩ -	₩ -	₩ 175,519
Darae Parktech Co., Ltd. <sup>1,2</sup>	37.30%	7,890,837	7,028,153	(227,220)	-	(2,954,684)	3,846,249
Cha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	6,135,183	1,335,113	(474,000)	317,068	7,313,364
Cha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	3,328,777	2,097,109	(474,000)	-	4,951,886
Cha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	7,605,557	256,775	(594,000)	588,231	7,856,563
A2 PARTNERS RHINOS No. 1 private equity partnership	33.20%	18,503,407	21,352,953	(2,436,276)	-	(75,545)	18,841,132
Auto Gallery Holdings, Inc.	49.98%	6,660,700	10,395,949	(1,351,758)	-	(62,262)	8,981,929
BNP INC.	25.00%	75,000	1,388,229	(125,858)	-	-	1,262,371
Modu Rental Co., Ltd. <sup>3</sup>	10.53%	9,078,712	10,337,853	(141,435)	-	491,416	10,687,834
Junsymall.com co.,Ltd. <sup>4,5</sup>	33.33%	10,000,527	9,202,320	(743,277)	-	(3,943,603)	4,515,440
		<u>₩ 78,059,183</u>	<u>₩ 76,928,640</u>	<u>₩ (1,314,974)</u>	<u>₩ (1,542,000)</u>	<u>₩ (5,639,379)</u>	<u>₩ 68,432,287</u>

<sup>1</sup> The Group has a put-option to additionally acquire shares (greater of 14,453 shares or 6% of the total issued shares at the time of exercise) in Darae Parktech Co., Ltd. from the largest shareholder for two years from February 12, 2021. In accordance with an additional agreement entered into on March 9, 2021, the Group has a right to acquire shares equivalent to 7.5% without consideration from the largest shareholder and a drag-along right for all the shares held by the largest shareholder if the requirements are not met (See note 19).

<sup>2</sup> For the year ended December 31, 2022, the Group recognizes the difference between the recoverable amount and book value as an impairment loss amounting to ₩ 3,036 million in relation with Darae Parktech Co., Ltd.

<sup>3</sup> The ownership by considering only ordinary shares is 15.38%. The Group classified it as an associate with its right to appoint directors at the Board of Directors.

<sup>4</sup> Its name was changed from AJ Junsymall Co., Ltd. for the year ended December 31, 2022.

<sup>5</sup> For the year ended December 31, 2022, the Group recognizes the difference between the recoverable amount and book value as an impairment loss amounting to ₩ 3,943 million in relation with Junsymall.com co.,Ltd.

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**8. Investments in Associates (cont'd)**

The financial information of investment in associates as of December 31, 2023 and 2022 is as follows:

(in thousands of Korean won)	2023						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Fleet Link Co., Ltd.	Korea	December	₩ 363,198	₩ 7,546	₩ 259,652	₩ 4,614	₩ 4,614
Darae Parktech Co., Ltd.	Korea	December	11,308,170	14,198,318	26,342,460	(1,617,688)	(1,466,155)
Cha Partners Public Mobility No. 1 private equity partnership	Korea	December	68,955,658	53,370,374	92,444,042	1,970,815	1,948,697
Cha Partners Public Mobility No. 2 private equity partnership	Korea	December	81,933,146	67,103,779	95,248,232	3,038,032	3,038,032
Cha Partners Public Mobility No. 3 private equity partnership	Korea	December	85,236,667	58,779,112	59,991,554	1,576,222	3,275,149
A2 PARTNERS RHINOS No. 1 private equity partnership	Korea	December	139,023,428	102,247,901	81,323,903	(16,810,514)	(16,775,959)
Auto Gallery Holdings, Inc.	USA	December	73,439,489	52,244,401	125,230,570	(1,016,994)	(715,618)
BNP INC.	Korea	December	3,981,100	(52,119)	22,013,043	(1,120,503)	(1,120,503)
MostX Co., Ltd.	Korea	December	109,921,954	66,937,493	30,925,916	(13,161,240)	(13,333,037)
Junsymall.com co.,Ltd.	Korea	December	21,776,342	12,606,587	82,667,300	(3,829,375)	(3,829,375)

**AJ Networks Co., Ltd. and its subsidiaries**  
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**8. Investments in Associates (cont'd)**

(in thousands of Korean won)	2022						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Fleet Link Co., Ltd.	Korea	December	₩ 471,764	₩ 120,726	₩ 55,598	₩ 44,025	₩ 44,025
Darae Parktech Co., Ltd.	Korea	December	15,913,227	14,496,577	25,250,981	(239,517)	(239,517)
Cha Partners Public Mobility No. 1 private equity partnership	Korea	December	67,663,661	52,583,061	91,050,666	2,667,394	2,910,884
Cha Partners Public Mobility No. 2 private equity partnership	Korea	December	78,752,838	66,956,662	93,361,825	2,453,891	2,453,891
Cha Partners Public Mobility No. 3 private equity partnership	Korea	December	77,123,394	51,425,056	55,292,617	1,545,947	3,303,737
A2 PARTNERS RHINOS No. 1 private equity partnership	Korea	December	137,253,212	83,101,726	127,119,298	(3,391,345)	(3,618,755)
Auto Gallery Holdings, Inc.	USA	December	80,884,276	60,427,866	188,226,415	(2,665,027)	(2,789,608)
BNP INC.	Korea	December	8,640,349	3,590,865	46,191	(491,182)	(491,182)
Modu Rental Co., Ltd.	Korea	December	147,324,106	90,415,818	65,695,134	537,276	662,646
Junsymall.com co.,Ltd.	Korea	December	26,153,040	12,774,862	64,623,109	(2,401,058)	(2,401,058)

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**8. Investments in Associates (cont'd)**

The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates.

(in thousands of  
Korean won)

	2023					
	Net assets at the end of the year	Group's share in KRW	Goodwill	Fair value difference	Others	Book amount
AJ Fleet Link Co., Ltd.	₩ 355,651	₩ 177,826	₩ -	₩ -	₩ -	₩ 177,826
Darae Parktech Co., Ltd.	(2,890,148)	(1,077,992)	2,773,322	406,649	(2,101,980)	-
Cha Partners Public Mobility No. 1 private equity partnership	15,585,284	7,695,234	-	-	(80,223)	7,615,011
Cha Partners Public Mobility No. 2 private equity partnership	14,829,367	7,322,000	-	-	(240,497)	7,081,502
Cha Partners Public Mobility No. 3 private equity partnership	26,457,554	13,096,489	-	-	(3,419,561)	9,676,929
A2 PARTNERS RHINOS No. 1 private equity partnership	36,775,527	12,216,830	-	-	(12,216,830)	-
Auto Gallery Holdings, Inc.	20,969,368	10,479,832	-	-	(1,132,131)	9,347,702
BNP INC.	4,033,219	982,245	-	-	-	982,245
MostX Co., Ltd.	41,965,709	6,456,278	2,003,447	190,416	(3,504,149)	5,145,992
Junsymall.com co.,Ltd.	9,169,754	3,056,279	-	-	70,938	3,127,218

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**8. Investments in Associates (cont'd)**

(in thousands of  
Korean won)

	<b>2022</b>					
	<b>Net assets at the end of the year</b>	<b>Group's share in KRW</b>	<b>Goodwill</b>	<b>Fair value difference</b>	<b>Others</b>	<b>Book amount</b>
AJ Fleet Link Co., Ltd.	₩ 351,037	₩ 175,519	₩ -	₩ -	₩ -	₩ 175,519
Darae Parktech Co., Ltd.	1,416,650	528,394	2,773,322	544,533	-	3,846,249
Cha Partners Public Mobility No. 1 private equity partnership	15,080,599	7,446,046	-	-	(132,682)	7,313,364
Cha Partners Public Mobility No. 2 private equity partnership	11,796,175	5,824,951	-	-	(873,065)	4,951,886
Cha Partners Public Mobility No. 3 private equity partnership	25,698,337	12,720,677	-	-	(4,864,114)	7,856,563
A2 PARTNERS RHINOS No. 1 private equity partnership	54,151,486	17,989,124	-	-	852,008	18,841,132
Auto Gallery Holdings, Inc.	20,456,409	10,223,472	-	-	(1,241,543)	8,981,929
BNP INC.	5,049,484	1,262,371	-	-	-	1,262,371
Modu Rental Co., Ltd.	56,908,288	8,577,568	2,003,447	380,831	(274,012)	10,687,834
Junsymall.com co.,Ltd.	13,378,178	4,458,947	-	63,807	(7,314)	4,515,440

*Impairment of investments in associates*

The Group performed impairment tests considering Darae Parktech Co., Ltd., an associate, as an individual Cash Generating Unit (CGU) for the year ended December 31, 2023. The recoverable amount of the CGU is determined based on the calculation of value in use. The calculation uses the estimated cash flows based on management's business plan.

The Group recognized the difference between the recoverable amount and its book amount as an impairment loss amounting to ₩ 2,102 million and ₩ 3,491 million in relation with Darae Parktech Co., Ltd., and MostX Co., Ltd., respectively, both of which are its associates, as of valuation date. Pre-tax discount rates and perpetual growth rates for beyond the period used on major CGUs are as follows. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**8. Investments in Associates (cont'd)**

<i>(in percentage, %)</i>	Perpetual growth rate	Pre-tax discount rate <sup>1</sup>
Darae Parktech Co., Ltd.	1.00%	12.58%
MostX Co., Ltd.	0.00%	13.17%

<sup>1</sup> The impact on the impairment loss is not significant with an 1% increase or decrease.

**9. Rental Assets**

Details of rental assets as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023			2022		
	Cost	Accumulated depreciation <sup>1</sup>	Book amount	Cost	Accumulated depreciation <sup>1</sup>	Book amount	
IT	₩ 320,015,628	₩ (155,580,658)	₩ 164,434,970	₩ 308,618,189	₩ (144,728,327)	₩ 163,889,862	
Pallets	637,550,772	(325,589,469)	311,961,303	593,262,006	(290,691,471)	302,570,535	
Construction equipment	499,716,621	(204,038,662)	295,677,959	449,081,350	(177,849,264)	271,232,086	
Others	1,686,109	-	1,686,109	4,396,903	(115,310)	4,281,593	
	<u>₩ 1,458,969,130</u>	<u>₩ (685,208,789)</u>	<u>₩ 773,760,341</u>	<u>₩ 1,355,358,448</u>	<u>₩ (613,384,372)</u>	<u>₩ 741,974,076</u>	

<sup>1</sup> Accumulated impairment losses are included.

Changes in rental assets for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>		2023				
	IT	Pallets	Industrial safety equipment	Others	Total	
Beginning balance	₩ 163,889,862	₩ 302,570,535	₩ 271,232,086	₩ 4,281,593	₩ 741,974,076	
Acquisition	74,321,167	58,247,572	59,651,316	1,655,703	193,875,758	
Disposal	(9,233,112)	(2,285,860)	(6,780,709)	(55,385)	(18,355,066)	
Depreciation	(63,386,407)	(45,934,796)	(34,698,417)	(57,545)	(144,077,165)	
Impairment loss <sup>1</sup>	(6,274)	(638,570)	(192,454)	-	(837,298)	
Transfer	(1,044,903)	-	5,834,856	(4,138,257)	651,696	
Others	(105,363)	2,422	631,281	-	528,340	
Ending balance	<u>₩ 164,434,970</u>	<u>₩ 311,961,303</u>	<u>₩ 295,677,959</u>	<u>₩ 1,686,109</u>	<u>₩ 773,760,341</u>	

<sup>1</sup> An impairment loss is recognized for assets that are not used or sold for a long period after the term of the rental.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**9. Rental Assets (cont'd)**

*(in thousands of  
Korean won)*

	2022									
	IT	Pallets	Industrial safety equipment	Others	Total					
Beginning balance	₩	136,454,972	₩	281,052,426	₩	235,024,094	₩	4,581,984	₩	657,113,476
Acquisition		99,130,201		67,928,692		63,869,317		4,157,701		235,085,911
Disposal		(13,619,288)		(2,127,935)		(5,215,383)		(237)		(20,962,843)
Depreciation		(57,392,152)		(44,754,696)		(32,757,828)		(56,975)		(134,961,651)
Impairment loss <sup>1</sup>		(577)		(548,114)		(194,752)		-		(743,443)
Transfer		(810,548)		990,891		8,408,307		(4,400,880)		4,187,770
Others		127,254		29,271		2,098,331		-		2,254,856
Ending balance	₩	163,889,862	₩	302,570,535	₩	271,232,086	₩	4,281,593	₩	741,974,076

<sup>1</sup> An impairment loss is recognized for assets that are not used or sold for a long period after the term of the rental.

The Group has entered into an agreement to provide operating leases with a number of customers for rental assets. Future lease payments expected to be received by the Group through operating lease contracts for rental assets as of December 31, 2023 and 2022 are as follows.

*(in thousands of Korean won)*

	2023	2022
Within one year	₩ 141,795,573	₩ 123,268,000
1 - 2 years	66,652,229	70,652,317
2 - 3 years	29,798,999	30,042,032
3 - 4 years	8,953,227	7,614,220
4 - 5 years	1,866,707	964,452
Over 5 years	152,624	206,459
	₩ 249,219,359	₩ 232,747,479

Future lease payments for the pallet business of AJ Networks Inc. expected at the end of each reporting period were excluded due to the nature of the agreement for which the contract period has not been determined.



**AJ Networks Co., Ltd. and its subsidiaries**  
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**December 31, 2023 and 2022**

**10. Property, Plant and Equipment**

Details of property, plant and equipment as of December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

	2023			2022		
	Cost	Accumulated depreciation <sup>1</sup>	Book amount	Cost	Accumulated depreciation <sup>1</sup>	Book amount
Land	₩ 126,728,145	₩ -	₩ 126,728,145	₩ 57,469,688	₩ -	₩ 57,469,688
Buildings	114,217,270	(11,351,499)	102,865,771	65,040,689	(5,332,813)	59,707,876
Structures	4,723,791	(2,375,302)	2,348,489	5,905,291	(2,216,361)	3,688,930
Machinery	40,357,094	(14,477,454)	25,879,640	39,338,417	(11,524,941)	27,813,476
Furniture and fixture	10,634,883	(7,372,338)	3,262,545	9,140,926	(6,652,100)	2,488,826
Vehicles	12,956,796	(6,888,169)	6,068,627	12,615,099	(5,772,288)	6,842,811
Others	782,202	(514,448)	267,754	1,540,478	(1,004,761)	535,717
Construction-in progress	12,763,013	-	12,763,013	7,443,590	-	7,443,590
	<u>₩ 323,163,194</u>	<u>₩ (42,979,210)</u>	<u>₩ 280,183,984</u>	<u>₩ 198,494,178</u>	<u>₩ (32,503,264)</u>	<u>₩ 165,990,914</u>

<sup>1</sup> Accumulated impairment losses are included.

Changes in property, plant and equipment for each of the two years in the period ended December 31, 2023 are as follows:

(in thousands of  
Korean won)

	2023							
	Beginning balance	Acquisition <sup>1</sup>	Disposal	Depreciation	Reevaluation <sup>3</sup>	Business combination	Others <sup>2</sup>	Ending balance
Land	₩ 57,469,688	₩ 35,519,847	₩ (12,013,063)	₩ -	₩ 44,650,647	₩ -	₩ 1,101,026	₩ 126,728,145
Buildings	59,707,876	24,870,595	(2,557,500)	(2,270,140)	17,677,752	4,965,414	471,774	102,865,771
Structures	3,688,930	8,500	(1,021,417)	(327,524)	-	-	-	2,348,489
Machinery	27,813,476	1,950,152	(140,457)	(3,591,814)	-	15,299	(167,016)	25,879,640
Furniture and fixture	2,488,826	1,268,861	(94,752)	(1,432,663)	-	(4,612)	1,036,885	3,262,545
Vehicles	6,842,811	325,552	(162,514)	(1,309,429)	-	256,926	115,281	6,068,627
Others	535,717	152,905	(96,866)	(99,603)	-	(84,812)	(139,587)	267,754
Construction-in progress	7,443,590	14,443,222	-	-	-	-	(9,123,799)	12,763,013
	<u>₩ 165,990,914</u>	<u>₩ 78,539,634</u>	<u>₩ (16,086,569)</u>	<u>₩ (9,031,173)</u>	<u>₩ 62,328,399</u>	<u>₩ 5,148,215</u>	<u>₩ (6,705,436)</u>	<u>₩ 280,183,984</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**10. Property, Plant and Equipment (cont'd)**

<sup>1</sup> Capitalized borrowing costs amount to 704 million won, and the capitalization interest rate used to calculate the capitalizable borrowing costs is 6.0%.

<sup>2</sup> This includes amounts replaced by non-current assets held for sale and investment properties.

<sup>3</sup> This includes a revaluation of the self-use portion of AJ Building and AJ Vision Tower acquired for the year ended December 31, 2023.

(in thousands of  
Korean won)

	<b>2022</b>					
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others<sup>1</sup></b>	<b>Ending balance</b>
Land	₩ 64,789,328	₩ 100,317	₩ -	₩ -	₩ (7,419,957)	₩ 57,469,688
Buildings	55,881,008	857,340	(222,649)	(1,982,031)	5,174,208	59,707,876
Structures	5,007,643	184,114	(101,333)	(408,512)	(992,982)	3,688,930
Machinery	19,910,830	1,761,220	(61,179)	(3,811,964)	10,014,569	27,813,476
Furniture and fixture	2,835,604	869,850	(133,029)	(1,740,372)	656,773	2,488,826
Vehicles	7,181,747	623,498	(138,717)	(1,313,241)	489,524	6,842,811
Others	1,231,159	110,543	(116,478)	(286,052)	(403,455)	535,717
Construction-in progress	19,832,691	21,291,058	-	-	(33,680,159)	7,443,590
	<u>₩ 176,670,010</u>	<u>₩ 25,797,940</u>	<u>₩ (773,385)</u>	<u>₩ (9,542,172)</u>	<u>₩ (26,161,479)</u>	<u>₩ 165,990,914</u>

<sup>1</sup> Others include replacements to non-current assets held for sale.

The Group has carried out the revaluation on land and buildings according to the revaluation model for property, plant and equipment as of December 31, 2023, and the revaluation was conducted on March 31, 2023, June 30, 2023, and December 31, 2023, depending on the evaluation target.

The fair value of property, plant and equipment was determined based on the revaluation results of independent and certified professional appraisal organizations such as Gaon Appraisal Agency, Pacific Appraisal Agency, and CBRE.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**December 31, 2023 and 2022**

**10. Property, Plant and Equipment (cont'd)**

As of December 31, 2023, the carrying amounts applied by the revaluation model and the cost model for property, plant and equipment are as follows.

(in thousands of Korean won)

		<b>Revaluation model</b>	<b>Cost model</b>	<b>Revaluation base date</b>
Land	Book value	₩ 66,097,921	₩ 40,399,325	2023-03-31
	Book value	<u>60,630,224</u>	<u>43,421,089</u>	2023-12-31
		126,728,145	83,820,414	
	Acquisition cost	34,938,175	22,154,207	
	Accumulated depreciation	(8,421,930)	(4,341,001)	2023-03-31
	Net book value	26,516,245	17,813,206	
Buildings	Acquisition cost	40,184,553	39,601,007	
	Accumulated depreciation	(2,442,887)	(2,407,092)	2023-06-30
	Net book value	37,741,666	37,193,915	
	Acquisition cost	39,094,542	30,821,893	
	Accumulated depreciation	(486,682)	(452,114)	2023-12-31
	Net book value	<u>38,607,860</u>	<u>30,369,779</u>	
		<u>102,865,771</u>	<u>85,376,900</u>	
		<u>₩ 229,593,916</u>	<u>₩ 169,197,314</u>	

Changes in revaluation surplus of property, plant and equipment as of December 31 2023 are as follows.

There are restrictions on the dividends distributed to shareholders arising from asset revaluation.

(in thousands of Korean won)

	<b>2023</b>			
	<b>Beginning</b>	<b>Revaluation</b>	<b>Tax effect</b>	<b>End</b>
Revaluation surplus	₩ -	₩ 62,346,656	₩ (13,858,883)	₩ 48,487,773

As of December 31, 2023, changes of land and buildings that are subject to revaluation are as follows:

(in thousands of Korean won)

	<b>2023</b>						
	<b>Beginning</b>	<b>Acquisition / replacement</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Revaluation</b>	<b>Others</b>	<b>Ending balance</b>
Land	₩ 57,469,688	₩ 35,519,847	₩ (12,013,063)	₩ -	₩ 44,650,647	₩ 1,101,026	₩ 126,728,145
Buildings	59,707,876	29,836,009	(2,557,500)	(2,270,140)	17,696,009	453,517	102,865,771
	<u>₩ 117,177,564</u>	<u>₩ 65,355,856</u>	<u>₩ (14,570,563)</u>	<u>₩ (2,270,140)</u>	<u>₩ 62,346,656</u>	<u>₩ 1,554,543</u>	<u>₩ 229,593,916</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**11. Leases**

- Leases as lessee

Right-of-use assets as of December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023		
	Land and buildings	Vehicles	Total
Acquisition amount	₩ 34,304,549	₩ 10,339,688	₩ 44,644,237
Accumulated depreciation	(10,787,466)	(6,192,704)	(16,980,170)
Net carrying amount	₩ 23,517,083	₩ 4,146,984	₩ 27,664,067

  

<i>(in thousands of Korean won)</i>	2022		
	Land and buildings	Vehicles	Total
Acquisition amount	₩ 53,948,457	₩ 9,460,999	₩ 63,409,456
Accumulated depreciation	(15,124,344)	(4,966,803)	(20,091,147)
Net carrying amount	₩ 38,824,113	₩ 4,494,196	₩ 43,318,309

Changes in the right-of-use assets for each the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	2023						
	Beginning	Acquisition	Depreciation	Contract termination	Business combination	Others	Ending balance
Land and Buildings	₩ 38,824,113	₩ 5,473,652	₩ (7,826,059)	₩ (12,078,994)	₩ 3,145,177	₩ (4,020,806)	₩ 23,517,083
Vehicles	4,494,196	2,265,065	(2,497,832)	(86,514)	-	(27,931)	4,146,984
	₩ 43,318,309	₩ 7,738,717	₩ (10,323,891)	₩ (12,165,508)	₩ 3,145,177	₩ (4,048,737)	₩ 27,664,067

<i>(in thousands of Korean won)</i>	2022				
	Beginning balance	Acquisition	Depreciation	Others <sup>1</sup>	Ending balance
Land and buildings	₩ 33,474,521	₩ 13,498,482	₩ (7,731,140)	₩ (417,750)	₩ 38,824,113
Vehicles	4,834,314	2,679,077	(2,589,964)	(429,231)	4,494,196
Others	1,656	-	(1,656)	-	-
	₩ 38,310,491	₩ 16,177,559	₩ (10,322,760)	₩ (846,981)	₩ 43,318,309

<sup>1</sup> Others include replacements to non-current assets held for sale.

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**11. Leases (cont'd)**

Lease liabilities as of December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>		<b>2023</b>		<b>2022</b>
Current	₩	6,586,006	₩	11,000,761
Non-current		13,847,293		34,014,828
	₩	<u>20,433,299</u>	₩	<u>45,015,589</u>

Changes in lease liabilities for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>							
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Replacement to liquidity lease liabilities</b>	<b>Lease payment</b>	<b>Interest expense</b>	<b>Others<sup>1</sup></b>	<b>Ending balance</b>	
Current	₩ 11,000,761	₩ 3,180,087	₩ 12,330,342	₩ (13,811,395)	₩ 877,011	₩ (6,990,800)	₩ 6,586,006	
Non-current	34,014,828	4,970,100	(12,330,342)	-	1,449,035	(14,256,328)	13,847,293	
	₩ <u>45,015,589</u>	₩ <u>8,150,187</u>	₩ -	₩ <u>(13,811,395)</u>	₩ <u>2,326,046</u>	₩ <u>(21,247,128)</u>	₩ <u>20,433,299</u>	

<i>(in thousands of Korean won)</i>	<b>2022</b>									
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Replacement to liquidity lease liabilities</b>	<b>Lease payment</b>	<b>Interest expense</b>	<b>Change of lease contract</b>	<b>Others<sup>1</sup></b>	<b>Ending balance</b>		
Current	₩ 10,841,505	₩ 1,771,005	₩ 12,670,616	₩ (14,313,809)	₩ 694,720	₩ (492,920)	₩ (170,356)	₩ 11,000,761		
Non-current	31,295,650	14,452,339	(12,670,616)	-	1,226,816	(95,653)	(193,708)	34,014,828		
	₩ <u>42,137,155</u>	₩ <u>16,223,344</u>	₩ -	₩ <u>(14,313,809)</u>	₩ <u>1,921,536</u>	₩ <u>(588,573)</u>	₩ <u>(364,064)</u>	₩ <u>45,015,589</u>		

<sup>1</sup> Others include replacements to non-current assets held for sale.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**11. Leases (cont'd)**

The maturity profile of lease liabilities as of December 31, 2023 and 2022, is as follows:

(in thousands of  
Korean won)

	2023					
	Less than one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Land and buildings	₩ 428,701	₩ 840,567	₩ 3,323,352	₩ 9,200,946	₩ 4,636,100	₩ 18,429,666
Vehicles	219,882	404,964	1,469,663	2,512,111	-	4,606,620
	<u>₩ 648,583</u>	<u>₩ 1,245,531</u>	<u>₩ 4,793,015</u>	<u>₩ 11,713,057</u>	<u>₩ 4,636,100</u>	<u>₩ 23,036,286</u>

(in thousands of  
Korean won)

	2022					
	Less than one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Land and buildings	₩ 928,335	₩ 1,849,270	₩ 7,572,857	₩ 28,149,055	₩ 7,195,638	₩ 45,695,155
Vehicles	229,847	445,448	1,790,777	2,698,434	-	5,164,506
	<u>₩ 1,158,182</u>	<u>₩ 2,294,718</u>	<u>₩ 9,363,634</u>	<u>₩ 30,847,489</u>	<u>₩ 7,195,638</u>	<u>₩ 50,859,661</u>

The consolidated statements of profit or loss show the following amounts relating to leases:

(in thousands of Korean won)

	2023	2022
Depreciation of right-of-use assets		
Properties	₩ 7,826,059	₩ 7,731,140
Vehicles	2,497,832	2,589,964
Others	-	1,656
	<u>₩ 10,323,891</u>	<u>₩ 10,322,760</u>
Interest expense relating to lease liabilities	₩ 2,326,046	₩ 1,921,536
Expense relating to short-term leases	2,459,400	4,265,842
Expense relating to leases of low-value assets that are not short-term leases	112,610	784,408
Expense relating to variable lease payments not included in lease liabilities	₩ 2,898,971	₩ 2,740,071

Amounts classified as discontinued operations are included.

The total cash outflow for leases in 2023 was ₩ 19,282 million (₩ 22,104 million in 2022).

**AJ Networks Co., Ltd. and its subsidiaries**  
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**11. Leases (cont'd)**

- Leases as lessor

Lease receivables as of December 31, 2023 and 2022, consist of (See note 14):

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Current	₩	11,571,632	₩	7,954,045
Non-current		21,833,358		13,763,314
Allowance for doubtful accounts		(104,718)		(85,414)
	₩	<u>33,300,272</u>	₩	<u>21,631,945</u>

The gross investment in the lease and present value of minimum lease payments for finance lease receivables as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Gross investment in lease</b>	<b>Present value of minimum lease payments</b>	<b>Gross investment in lease</b>	<b>Present value of minimum lease payments</b>
Within one year	₩ 14,891,414	₩ 11,571,632	₩ 9,173,641	₩ 7,954,045
Between 1 and 2 years	11,222,709	8,731,470	7,922,103	6,388,993
Between 2 and 3 years	7,957,183	6,389,549	4,879,148	3,790,269
Between 3 and 4 years	5,934,002	4,950,522	3,230,527	2,362,953
Between 4 and 5 years	2,097,830	1,761,817	2,051,525	1,208,158
Later than five years	1,181	-	16,065	12,941
	<u>₩ 42,104,319</u>	<u>₩ 33,404,990</u>	<u>₩ 27,273,009</u>	<u>₩ 21,717,359</u>

For the year ended December 31, 2023, there was no income from variable lease payments not included in the net investment in the lease. Sales and costs for lease receivables for the year ended December 31, 2023, amounted to ₩ 17,340 million (₩ 11,211 million in 2022) and ₩ 21,718 million (₩ 10,619 million in 2022), and interest income on lease receivables for the years ended December 31, 2023 and 2022, amounted to ₩ 4,120 million and ₩ 2,402 million, respectively.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**12. Intangible Assets**

Intangible assets as of December 31, 2023 and 2022, consist of:

*(in thousands of  
Korean won)*

	2023			2022		
	Cost	Accumulated amortization <sup>1</sup>	Book amount	Cost	Accumulated amortization <sup>1</sup>	Book amount
Goodwill	₩ 13,470,021	₩ (5,965,076)	₩ 7,504,945	₩ 22,881,630	₩ (15,041,282)	₩ 7,840,348
Software	10,405,641	(7,172,438)	3,233,203	9,405,702	(5,247,033)	4,158,669
Others	19,563,550	(7,942,204)	11,621,346	21,509,514	(8,237,848)	13,271,666
	<u>₩ 43,439,212</u>	<u>₩ (21,079,718)</u>	<u>₩ 22,359,494</u>	<u>₩ 53,796,846</u>	<u>₩ (28,526,163)</u>	<u>₩ 25,270,683</u>

<sup>1</sup> Accumulated impairment losses are included.

Changes in intangible assets for each of the two years in the period ended December 31, 2023 are as follows:

*(in thousands of Korean won)*

	2023			
	Goodwill	Software	Others	Total
Beginning balance	₩ 7,840,348	₩ 4,158,669	₩ 13,271,666	₩ 25,270,683
Acquisition	-	1,098,869	1,562,969	2,661,838
Disposal	-	(893,901)	(221,102)	(1,115,003)
Amortization	-	(1,630,475)	(2,593,870)	(4,224,345)
Impairment loss	(371,326)	(577,558)	177,083	(771,801)
Replacement	-	1,081,447	435,858	1,517,305
Changes in scope of consolidation	-	(3,367)	(1,012,323)	(1,015,690)
Others	35,923	(481)	1,065	36,507
Ending balance	<u>₩ 7,504,945</u>	<u>₩ 3,233,203</u>	<u>₩ 11,621,346</u>	<u>₩ 22,359,494</u>



**AJ Networks Co., Ltd. and its subsidiaries**  
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**12. Intangible Assets (cont'd)**

(in thousands of Korean won)

	<b>2022</b>			
	<b>Goodwill</b>	<b>Software</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩ 10,214,399	₩ 2,614,472	₩ 15,112,687	₩ 27,941,558
Acquisition	1,894,029	2,745,858	1,035,041	5,674,928
Disposal	-	-	(165,500)	(165,500)
Amortization	-	(1,134,290)	(2,561,695)	(3,695,985)
Impairment loss	(4,401,044)	(5,265)	(391,807)	(4,798,116)
Replacement <sup>1</sup>	-	(57,768)	-	(57,768)
Changes in scope of consolidation	-	-	835	835
Others	132,964	(4,338)	242,105	370,731
Ending balance	<u>₩ 7,840,348</u>	<u>₩ 4,158,669</u>	<u>₩ 13,271,666</u>	<u>₩ 25,270,683</u>

<sup>1</sup> Others include replacements to non-current assets held for sale.

*Impairment of goodwill*

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segments.

(in thousands of Korean won)

	<b>2023</b>			
	<b>Beginning balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending balance</b>
AJ Jeonkook Sky Co., Ltd	₩ 308,169	₩ -	₩ -	₩ 308,169
AJ Daewon Co., Ltd.	3,578,182	-	-	3,578,182
AJ Rental, Inc. <sup>1</sup>	2,059,968	35,923	-	2,095,891
TS GLOBAL CO. <sup>2</sup>	1,894,029	-	(371,326)	1,522,703
	<u>₩ 7,840,348</u>	<u>₩ 35,923</u>	<u>₩ (371,326)</u>	<u>₩ 7,504,945</u>

<sup>1</sup> This is a change due to foreign currency translation.

<sup>2</sup> Impairments were recognized for the year ended December 31, 2023 as the recoverable amount fell below the book value.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**12. Intangible Assets (cont'd)**

(in thousands of Korean won)

	<b>2022</b>			
	<b>Beginning balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending balance</b>
AJ Jeonkook Sky Co., Ltd	₩ 308,169	₩ -	₩ -	₩ 308,169
AJ Total Co., Ltd. <sup>1</sup>	4,401,044	-	(4,401,044)	-
AJ Daewon Co., Ltd.	3,578,182	-	-	3,578,182
AJ Rental, Inc. <sup>2</sup>	1,927,004	132,964	-	2,059,968
TS GLOBAL CO. <sup>3</sup>	-	1,894,029	-	1,894,029
	<u>₩ 10,214,399</u>	<u>₩ 2,026,993</u>	<u>₩ (4,401,044)</u>	<u>₩ 7,840,348</u>

<sup>1</sup> An impairment loss was recognized because the recoverable amount was less than the carrying amount for the year ended December 31, 2022.

<sup>2</sup> These are changes due to foreign currency translation.

<sup>3</sup> 70% of the shares was newly acquired for the year ended December 31, 2022.

The Group tests annually whether goodwill has suffered any impairment. As a result of impairment test, the Group has determined that the carrying amount of CGUs will not exceed the recoverable amount except for the portion recognized as an impairment loss. The recoverable amount was determined based on value-in-use calculations.

The value-in-use calculations was based on cash flow estimates based on the financial budget for the next five years. The Group estimates future revenue and operating profit, or loss based on past performance and expectations for future market fluctuations for financial budget and cash flow projections. Cash flows expected to be generated after five years were estimated within the scope of not to exceed long term average growth rate of industry. The discount rate used is a discount rate that reflects the specific risks of the related business unit.

The key assumptions used in calculating the value in use of CGUs are as follows.

(in thousands of Korean won)	<b>AJ Jeonkook Sky Co., Ltd</b>	<b>AJ Total Co., Ltd.</b>	<b>AJ Daewon Co., Ltd.</b>	<b>AJ Rental, Inc.</b>	<b>TS GLOBAL CO.</b>
Goodwill at the end of reporting period	₩ 308,169	₩ -	₩ 3,578,182	₩ 2,059,891	₩ 1,522,703
Perpetual growth rate <sup>1</sup>	0.00%	1.00%	0.00%	1.00%	0.00%
Pre-tax discount rate <sup>1</sup>	12.46%	12.02%	13.35%	10.41%	14.01%

<sup>1</sup> The impact on impairment losses resulting from an 1% increase or decrease is not significant.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**13. Investment Properties**

The subsequent measurement method for investment properties has been changed from the cost model to the fair value model that encapsulates economic reality. Additionally, the fair value of the investment properties has been retrospectively adjusted.

Details of investment properties as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>		<u>2022</u>	
Land	₩	63,928,139	₩	8,103,697
Buildings		34,484,421		15,609,478
	₩	<u>98,412,560</u>	₩	<u>23,713,175</u>

Changes in investment properties for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>			<u>2022<sup>1</sup></u>		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 8,103,697	₩ 15,609,478	₩ 23,713,175	₩ 7,619,561	₩ 19,606,722	₩ 27,226,283
Acquisition	32,711,468	22,638,080	55,349,548	-	-	-
Fair Value Assessment <sup>2</sup>	19,529,568	9,286,114	28,815,682	508,356	(3,150,300)	(2,641,944)
Others <sup>3</sup>	3,583,406	(13,049,251)	(9,465,845)	(24,220)	(846,944)	(871,164)
Ending balance	<u>₩ 63,928,139</u>	<u>₩ 34,484,421</u>	<u>₩ 98,412,560</u>	<u>₩ 8,103,697</u>	<u>₩ 15,609,478</u>	<u>₩ 23,713,175</u>

<sup>1</sup> As of the end of the last fiscal year, some of the right-of-use assets are being provided as subleases, and among them, operating leases have been classified as investment properties.

<sup>2</sup> Fair value assessment of the lease usage portion of AJ Building and AJ Vision Tower, which were purchased during this fiscal year, is included.

<sup>3</sup> Disposed right-of-use assets subleases during this fiscal year are included.

During the year, rental income earned from investment properties is ₩5,915 million (₩4,287 million in 2022), and direct operating expenses (including repairs and maintenance) from investment properties that generated rental income are ₩1,995 million (₩1,372 million in 2022).

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**13. Investment Properties (cont'd)**

The investment properties are leased to tenants under operating leases with rentals payable monthly. The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Within one year	₩	2,478,940	₩	2,213,171
Between 1 and 2 years		1,727,570		577,427
Between 2 and 3 years		877,903		304,613
Between 3 and 4 years		689,000		31,250
Between 4 and 5 years		503,133		-
	₩	<u>6,276,546</u>	₩	<u>3,126,461</u>

The year ended December 31, 2023, the Group measured the subsequent valuation of investment properties at fair value, relying on the results of the fair value assessment by an independent and authorized professional appraisal institute for determining the fair value of the investment properties.

The fair value measurement of investment properties measured as of December 31, 2023 and 2022 according to the hierarchy level, is as follows.

<i>(in thousands of Korean won)</i>	<b>2023</b>			<b>2022</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Land	₩	-	₩	-	₩	8,103,697
Buildings		-	₩	-	-	15,609,478

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**14. Other Financial Assets**

Other financial assets as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Other current financial assets</b>		
Short-term loans	₩ 5,565,970	₩ 6,453,750
Allowance for doubtful accounts – short-term loans	(200,000)	(200,000)
Other receivables	6,381,240	3,539,011
Allowance for doubtful accounts – other receivables	(265,282)	(265,346)
Accrued income	339,824	216,607
Derivative assets	5,507	18,475
Current portion of finance lease receivable	11,571,632	7,954,045
Short-term financial instruments	10,752,728	3,552,114
Guarantee deposits	1,188	39,130
	<u>₩ 34,152,807</u>	<u>₩ 21,307,786</u>
<b>Other non-current financial assets</b>		
Derivative assets	₩ -	₩ 3,339,818
Finance lease receivable	21,833,358	13,763,314
Allowance for doubtful accounts – finance lease	(104,718)	(85,414)
Long-term other receivables	-	123,108
Long-term financial instruments	4,774,890	1,358,500
Guarantee deposits	9,042,694	16,639,642
	<u>₩ 35,546,224</u>	<u>₩ 35,138,968</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**14. Other Financial Assets (cont'd)**

Changes in allowance for doubtful accounts of other financial assets for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	₩ 550,760	₩ 2,550,304
Impairment loss	29,304	53,391
Other impairment loss	-	72,054
Allowance of doubtful accounts (reversal)	(10)	(34)
Write-off	(10,054)	(27,500)
Others <sup>1</sup>	-	(2,097,455)
Ending balance	<u>₩ 570,000</u>	<u>₩ 550,760</u>

<sup>1</sup> Others include replacements to non-current assets held for sale.

**15. Other Assets**

Other assets as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Other current assets</b>		
Advance payments	₩ 8,715,461	₩ 15,884,582
Allowance of doubtful accounts – advance payments	(32,260)	(32,260)
Prepaid expenses	7,070,926	6,643,385
Prepaid value added taxes	1,140,719	1,940,619
Others	69,701	29,758
	<u>₩ 16,964,547</u>	<u>₩ 24,466,085</u>
<b>Other non-current assets</b>		
Long-term advance payments	₩ 4,434,895	₩ 3,309,763
Long-term prepaid expenses	303,610	117,720
	<u>₩ 4,738,505</u>	<u>₩ 3,427,483</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**16. Borrowings, etc.**

Details of short-and-long-term borrowings as of December 31, 2023 and 2022 are as follows:

*(a) Short-term borrowings*

*(in thousands of Korean won)*

	<b>Annual interest rate as of December 31, 2023</b>		<b>2023</b>		<b>2022</b>
Kookmin Bank	6.29%	₩	500,000	₩	500,000
THE DAEGU BANK LTD	6.01% - 6.47%		9,833,310		4,000,000
Shinhan bank <sup>1</sup>	2.5% - 5.96%		5,200,000		5,580,000
HANA Bank	6.17%		4,500,000		9,500,000
KB Securities Co., Ltd.	6.10%		11,000,000		-
Citi bank <sup>1</sup>	6.13%		10,000,000		-
SHINYOUNG SECURITIES CO., LTD	6.10% - 6.55%		40,000,000		51,600,000
HEUNGKUK SECURITIES CO., LTD	6.3%		9,000,000		-
China Everbright Bank Co.Ltd. Seoul Branch	-		-		30,000,000
KIWOOM SECURITIES Corp.	6.10%		1,000,000		5,000,000
KDB	5.43% - 5.56%		20,000,000		26,700,000
Woori bank	6.45% - 6.57%		5,000,000		1,000,000
NongHyup Bank	6.04%		338,268		1,601,577
KYOBO SECURITIES CO.,LTD.	-		-		30,000,000
HANA Savings Bank	-		-		4,000,000
EUGENE INVESTMENT & SECURITIES CO., LTD	6.25%		5,000,000		-
SK SECURITIES CO., LTD	6.25%		3,000,000		-
Korea Investment & Securities Co., Ltd.	-		-		40,000,000
			₩ 124,371,578		₩ 209,481,577

<sup>1</sup> Property, plant and equipment and, rental assets are pledged as collateral for above long-term and short-term borrowings(note 19(5)).

**AJ Networks Co., Ltd. and its subsidiaries**  
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**16. Borrowings, etc. (cont'd)**

*(b) Long-term borrowings*

*(in thousands of Korean won)*

	Annual interest rate as of December 31, 2023		2023		2022
Shinhan bank <sup>1</sup>	4.9% - 7.5%	₩	60,802,606	₩	17,936,269
HANA Bank <sup>1</sup>	4.08% - 7.15%		91,124,006		79,062,991
Net One Q First Co., Ltd. <sup>2</sup>	6.18%		27,500,000		-
Kookmin Bank <sup>1</sup>	4.16% - 7.22%		44,265,121		49,009,033
NongHyup Ban <sup>1</sup> k	5.03% - 6.32%		60,833,210		30,833,300
KDB <sup>1</sup>	4.79% - 5.57%		33,333,280		41,666,560
KDB(ABL) <sup>2</sup>	6.62%		40,000,000		-
THE JEONBUK BANK LTD <sup>1</sup>	6.83%		1,500,600		2,833,532
Suhyup bank <sup>1</sup>	6.99%		2,916,667		5,500,000
Woori bank <sup>1</sup>	5.8% - 6.33%		14,500,000		3,000,000
Kyongnam Bank Co., Ltd. <sup>1</sup>	5.95%		9,000,000		-
The Kwangju Bank, Ltd.	5.69%		4,305,556		-
KIS Plus 1st Co., Ltd.	7.34%		20,000,000		20,000,000
AJU CO., LTD.	-		-		40,000,000
Shinhan Capital Co., Ltd.	8.83%		10,833,333		-
IBK Capital Co., Ltd. <sup>1</sup>	4% - 7.71%		28,728,237		19,566,975
KB Capital <sup>1</sup>	7.92%		15,555,556		1,317,914
Hana Capital Co., Ltd. <sup>1</sup>	3.9% - 8.17%		42,020,184		49,151,581
BNK Capital Co., Ltd. <sup>1</sup>	4.10%		5,918,202		9,442,472
KDB Capital Co., Ltd. <sup>1</sup>	6.21% - 7.66%		15,180,855		18,235,294
KB Kookmin Card Co., Ltd. <sup>1</sup>	-		-		1,583,764
HANKOOKCAPITAL CO., LTD. and 1 other <sup>1</sup>	3.7% - 7.84%		10,837,580		5,967,561
Woori Card Co., Ltd. <sup>1</sup>	6.85%		8,027,130		-
DB CAPITAL CORP. and others <sup>1</sup>	7.30%		10,000,000		-
JB Woori Capital Co., Ltd. <sup>1</sup>	7.34%		18,888,889		-
U.S. Small Business Administration	3.75%		644,700		633,650
Hanmi Bank	-		-		8,871,100
J & J Financial	9.90% - 11.99%		125,007		145,117
BIDV Bank	9.5%		1,215,620		-
		₩	578,056,339	₩	404,757,113
Less: current portion of long-term borrowings			(249,070,912)		(231,028,286)
Less: Present value discounts account			(922,276)		(146,624)
		₩	328,063,151	₩	173,582,203



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**16. Borrowings, etc. (cont'd)**

<sup>1</sup> Property, plant and equipment and, rental assets are pledged as collateral for above long-term-and short-term borrowings (note 19.(5)).

<sup>2</sup> Securitization borrowings for trade receivables borrowed from Hana Bank and Korea Development Bank by providing the priority beneficiary right to trade receivables in the future as pledge are included.

Debentures outstanding as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>Latest maturity date</b>	<b>Annual interest rate as of December 31, 2023</b>	<b>2023</b>	<b>2022</b>
37-2nd unsecured privately placed debenture <sup>1</sup>	Jan. 20, 2023	-	₩ -	₩ 22,000,000
38-2nd unsecured privately placed debenture <sup>1</sup>	Jul. 30, 2023	-	-	30,000,000
40th unsecured privately placed debenture	Sep. 24, 2023	-	-	60,000,000
44th unsecured privately placed debenture	Mar. 15, 2023	-	-	5,000,000
45th unsecured privately placed debenture	Mar. 29, 2024	2.11%	30,000,000	30,000,000
46th unsecured privately placed debenture	Feb. 26, 2023	-	-	15,000,000
47th unsecured privately placed debenture <sup>1</sup>	Jan. 27, 2023	-	-	30,000,000
48th unsecured privately placed debenture	Nov. 23, 2023	-	-	6,000,000
49th unsecured privately placed debenture	Oct. 7, 2023	-	-	16,000,000
50th unsecured privately placed debenture	Oct. 20, 2023	-	-	12,000,000
51st unsecured privately placed debenture	Jan. 22, 2024	5.55%	3,500,000	3,500,000
52nd unsecured privately placed debenture	Mar. 13, 2024	5.50%	2,000,000	2,000,000
53rd unsecured privately placed debenture	Nov. 4, 2025	5.24%	30,000,000	30,000,000
54th unsecured privately placed debenture	Nov. 23, 2023	-	-	30,000,000
55th unsecured privately placed debenture	Nov. 30, 2023	-	-	5,000,000
56th unsecured privately placed debenture	Aug. 27, 2024	8.33%	15,000,000	-
57th unsecured privately placed debenture	Jul. 2, 2024	6.90%	4,000,000	-

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58th unsecured privately placed debenture	Mar. 15, 2024	7.65%	5,000,000	-
59th unsecured privately placed debenture	Sep. 23, 2024	7.00%	10,000,000	-
60-1st unsecured privately placed debenture	Apr. 25, 2024	6.56%	20,000,000	-
60-2nd unsecured privately placed debenture	Apr. 26, 2024	6.56%	10,000,000	-
60-3rd unsecured privately placed debenture	Oct. 22, 2024	6.87%	8,500,000	-
61-1st unsecured privately placed debenture	May 27, 2024	6.80%	10,000,000	-
61-2nd unsecured privately placed debenture	Jun. 19, 2024	6.82%	8,000,000	-
61-3rd unsecured privately placed debenture	Nov. 26, 2024	7.00%	8,000,000	-
61-4th unsecured privately placed debenture	Dec. 26, 2024	7.05%	4,000,000	-
61-5th unsecured privately placed debenture	May 26, 2025	7.20%	6,000,000	-
62nd unsecured privately placed debenture	Dec. 9, 2024	6.90%	25,500,000	-
63-1st unsecured privately placed debenture <sup>1</sup>	Jan. 31, 2025	6.51%	17,000,000	-
63-2nd unsecured privately placed debenture <sup>1</sup>	Aug. 1, 2025	6.66%	18,000,000	-
64-1st unsecured privately placed debenture	Sep. 6, 2024	5.90%	5,000,000	-
64-2nd unsecured privately placed debenture	Feb. 26, 2025	6.50%	2,000,000	-
64-3rd unsecured privately placed debenture	Mar. 7, 2025	6.50%	11,000,000	-
65th unsecured privately placed debenture	Mar. 13, 2025	6.50%	19,000,000	-
66th unsecured privately placed debenture	Sep. 25, 2025	5.19%	42,000,000	-
67th unsecured privately placed debenture	Jun. 19, 2024	6.80%	6,000,000	-
68th unsecured privately placed debenture	Oct. 31, 2025	7.10%	27,500,000	-
			347,000,000	296,500,000
Less: discounts on debentures			(587,548)	(495,382)
Less: current portion of bonds			(174,248,121)	(230,556,882)
			₩ 172,164,331	₩ 65,447,736

<sup>1</sup> Public offering bonds are subject to conditions such as maintaining the financial ratio, the restriction in provision of collateral, the restriction in disposal of assets, and the restriction in changing corporate governance.

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**17. Other Financial Liabilities and Other Liabilities**

Other financial liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Other current financial liabilities</b>		
Other payables	₩ 22,423,624	₩ 19,217,771
Accrued expenses	18,993,556	18,488,086
Rent deposits	1,429,074	-
Guarantee deposits	25,000	35,000
Rental deposits	6,341,212	5,399,719
Financial derivative liabilities (current)	5,146,661	6,971,882
Financial guarantee liabilities	2,618	1,908,397
	<u>₩ 54,361,745</u>	<u>₩ 52,020,855</u>
<b>Other non-current financial liabilities</b>		
Long-term rental deposits	₩ 972,556	₩ 962,497
Financial derivative liabilities	55,550	-
Guarantee deposits	1,506,347	-
Long-term accrued expenses	1,795,205	2,082,957
Long-term financial guarantee liabilities	714	1,177,825
	<u>₩ 4,330,372</u>	<u>₩ 4,223,279</u>

Other liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Other current liabilities</b>		
Advance from customers <sup>1</sup>	₩ 4,213,350	₩ 5,855,065
Unearned revenues	932	85,007
Withholdings	1,504,894	1,159,207
Value added tax withheld	2,332,997	4,354,287
	<u>₩ 8,052,173</u>	<u>₩ 11,453,566</u>
<b>Other non-current liabilities</b>		
Provision for legal proceedings	101,000	101,000
Other provisions	166,801	1,456,711
	<u>₩ 267,801</u>	<u>₩ 1,557,711</u>

<sup>1</sup> Includes contract liabilities under KIFRS 1115 *Revenue from contracts with customers*.

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**18. Post Employment Benefits**

As the Group entered defined contribution pension plans, the Group recognized contributions as expenses during the year. The contributions are recognized as expenses amounting to ₩ 6,924 million and ₩ 6,023 million for the years ended December 31, 2023 and 2022, respectively.

In addition, the Group operates a defined benefit plan, and details of net defined benefit liabilities recognized in the statements of financial position as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Present value of defined benefit obligations	₩	-	₩	300,765
Fair value of plan assets		-		-
Net defined benefit liabilities	₩	-	₩	300,765

Movements in the defined benefit obligations as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Beginning balance	₩	300,765	₩	1,834,795
Current service cost		-		328,652
Interest expense		-		69,517
Benefit payments		-		(967,706)
Remeasurements:		-		-
Actuarial gain from change in financial assumptions		-		(228,491)
Actuarial loss from experience adjustments		-		-
Others		(300,765)		(736,002)
Ending balance	₩	-	₩	300,765

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**18. Post-employment Benefits (cont'd)**

Movements in the fair value of plan assets as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	₩ -	₩ 424,408
Interest income	-	12,268
Remeasurements:	-	-
Return on plan assets (excluding amounts included in interest income)	-	(9,777)
Employers' contributions	-	-
Payments from plans	-	(259,699)
Transfer to asset held for sale and others	-	(167,200)
Ending balance	₩ -	₩ -

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**19. Contingencies and Commitments**

Commitments and contingencies with financial institutions as of December 31, 2023, are as follows:

*(in thousands of Korean won)*

<b>Financial institution</b>	<b>Details</b>	<b>Limit</b>	<b>Borrowings</b>
Kookmin Bank	Facility fund and others	₩ 45,744,000	₩ 44,765,122
THE DAEGU BANK LTD	Facility fund and others	9,833,310	9,833,310
Shinhan bank	Facility fund and others	73,476,354	66,002,606
IBK Capital Co., Ltd.	Facility fund	28,728,237	28,728,237
Woori bank	Facility fund and others	19,500,000	19,500,000
Woori Card., Ltd.	Facility fund	8,027,130	8,027,130
THE JEONBUK BANK LTD	Facility fund	1,500,600	1,500,600
HANA Bank <sup>1</sup>	Facility fund and others	93,250,000	93,250,000
BIDV Bank	Facility fund	2,128,000	1,215,620
Dongbu Capital Co.	Facility fund	10,000,000	10,000,000
J & J Financial	General fund	125,007	125,007
JB Woori Capital Co., Ltd.	Facility fund	18,888,889	18,888,889
SK Securities Co., Ltd.	Commercial paper	3,000,000	3,000,000
U.S. Small Business Administration	EIDL Loan	644,700	644,700
Kyongnam Bank	Facility fund	9,000,000	9,000,000
The Kwangju Bank	Facility fund	4,305,556	4,305,556
NongHyup Bank	Facility fund and others	62,736,824	61,171,478
NK CAPITAL CO., LTD	Facility fund	5,918,202	5,918,202
KDB Capital Co.	Facility fund	15,180,855	15,180,855
SUHYUP BANK	Facility fund	5,916,667	2,916,667
Shinyoung Securities Co., Ltd.	Commercial paper	40,000,000	40,000,000
Shinhan Capital Co., Ltd.	Facility fund	10,833,333	10,833,333
Citibank Korea	General fund	10,000,000	10,000,000
Eugene Investment & Securities Co., Ltd.	Commercial paper	5,000,000	5,000,000
KB Securities co.Ltd.	Commercial paper	11,000,000	11,000,000
KB CAPITAL.CO. LTD.	Facility fund	15,555,556	15,555,556
KIS PLUS 1ST CO.,LTD.	General fund	20,000,000	20,000,000
KIWOOM Securities Co., Ltd.	Commercial paper	1,000,000	1,000,000
KEB HANA BANK-HCMC BRANCH	Facility fund	37,186,800	29,874,006
Hana Capital Co., Ltd.	Facility fund	42,020,183	42,020,183
The Korea Development Bank	Facility fund and others	93,333,280	93,333,280
Han Kook Capital Co., Ltd.	Facility fund	10,837,580	10,837,580
Heungkuk Securities Co., Ltd.	Commercial paper	9,000,000	9,000,000
		₩ 723,671,063	₩ 702,427,917

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**19. Contingencies and Commitments (cont'd)**

<sup>1</sup> The balance includes funds borrowed, incorporating the proceeds from the securitization of accounts receivable, by pledging priority rights over future accounts receivable to Hana Bank and the Industrial Bank of Korea.

Commitments and contingencies with financial institutions as of December 31, 2022, are as follows:

*(in thousands of Korean won)*

<b>Financial institution</b>	<b>Details</b>	<b>Limit</b>	<b>Borrowings</b>
Kookmin Bank	Facility fund and others	₩ 50,851,533	₩ 49,509,033
Shinhan bank	Facility fund and others	36,432,742	23,516,269
IBK Capital Co., Ltd.	Facility fund	19,566,975	19,566,975
Woori bank	General fund	4,000,000	4,000,000
THE JEONBUK BANK LTD	Facility fund	2,833,532	2,833,532
KB Kookmin Card Co., Ltd.	Facility fund	1,583,764	1,583,764
HANA Bank	Facility fund and others	57,916,667	54,916,667
Hanmi Bank	General fund	12,673,000	8,871,100
J & J Financial	General fund	145,117	145,117
U.S. Small Business Administration	EIDL Loan	633,650	633,650
KYOBO SECURITIES CO.,LTD.	Commercial paper	30,000,000	30,000,000
NongHyup Bank	Facility fund and others	33,333,300	32,434,877
THE DAEGU BANK LTD	General fund	4,000,000	4,000,000
BNK Capital Co., Ltd.	Facility fund	9,442,472	9,442,472
KDB Capital Co., Ltd.	Facility fund	18,235,294	18,235,294
Suhyup bank	Facility fund and others	8,500,000	5,500,000
SHINYOUNG SECURITIES CO., LTD	Short-term bonds and others	66,600,000	51,600,000
China Everbright Bank Co.Ltd. Seoul Branch	Facility fund	30,000,000	30,000,000
KB Capital	Facility fund	1,317,914	1,317,914
KIS Plus 1st Co., Ltd.	Facility fund	20,000,000	20,000,000
KIWOOM SECURITIES Corp.	Commercial paper	5,000,000	5,000,000
KEB HANA BANK-HCMC BRANCH	Facility fund	37,536,300	33,646,324
Hana Savings Bank	General fund	4,000,000	4,000,000
Hana Capital Co., Ltd.	Facility fund	49,151,581	49,151,581
The Korea Development Bank	General fund and others	54,166,560	53,366,560
	Loans secured by trade receivables <sup>1</sup>	15,000,000	15,000,000
HANKOOKCAPITAL CO., LTD. and 1 other	Facility fund	5,967,561	5,967,561
Korea Investment & Securities Co., Ltd.	Commercial paper	40,000,000	40,000,000
		₩ 618,887,962	₩ 574,238,690

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**19. Contingencies and Commitments (cont'd)**

<sup>1</sup> The Group has entered into a trust agreement with Korea Development Bank with the future rental receivables and other incidental rights as the trust principal and entered into a contract with AJ Networks First Limited Company to pledge the beneficiary rights acquired as collateral. In addition, the Group has agreed to assume an obligation to support funds in the event of shortfalls of funds for AJ Networks First Limited Company.

For various contracts, the Group has received guarantees of ₩ 22,423 million (₩ 31,666 million in 2022) from Seoul Guarantee Insurance Co., Ltd. and Korea Finance for Construction as of December 31, 2023.

Payment guarantees provided by the Group to others other than related parties as of December 31, 2023 and 2022 are as follows:

*(in thousands of Korean won)*

<b>Beneficiary</b>	<b>Guarantor</b>	<b>2023</b>	<b>2022</b>
Hiparking Co., Ltd.	Korea Parking Operation Co., Ltd.	₩ 2,700,927	₩ 5,348,894
Aju E-parking Nonhyeon III Co., Ltd.	Korea Private Concession Fund III	7,567,021	9,030,631
APS CO.,LTD.	Korea Finance for Construction	1,183,890	-
	Seoul Guarantee Insurance Co., Ltd.	169,870	-
Daekyung Construction Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.	-	209,603
		<u>₩ 11,621,708</u>	<u>₩ 14,589,127</u>

Assets pledged as collaterals as of December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

	<b>2023</b>		
	<b>Collateral amount</b>	<b>Borrowing amount</b>	<b>Security right holders</b>
Rental assets <sup>1</sup>	₩ 344,254,243	₩ 304,168,117	Shinhan bank, KDB, Kookmin bank and others
Land, buildings, machinery, and others <sup>2</sup>	306,746,055	145,623,641	
Fixed deposit <sup>3</sup>	4,800,000	40,000,000	The Korea Development Bank
Equity investments and others	8,094,807	1,757,174	AJU CO., LTD., Korea Engineering guarantee insurance and others
Financial assets at fair value through profit or loss	1,536,355	72,000,000	Kodit 2020 the 15th Securitization Specialty Co., Ltd., and the others



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**19. Contingencies and Commitments (cont'd)**

<sup>1</sup> The Group has entered into sales and leaseback contracts of rental assets with some financial institutions, such as IBK Capital, that include conditions for acquisition without considerations after the end of the lease period. The Group recognizes these contracts as collateralized borrowings based on their substance, and the amount secured by collateral for the above rental assets is set at 100% to 120% of balance of borrowings.

<sup>2</sup> The Group borrowed ₩ 20 billion each from Shinhan, Nonghyup, Hana, and the Korea Development Bank (totaling 80 billion won), and pledged 24 billion won each (totaling 96 billion won) against the building, representing 120% of the borrowed amount.

<sup>3</sup> The Group has entered into a collateral rights agreement for Shinhan Bank's fixed deposit of ₩ 4 billion in connection with the ABL borrowing of ₩ 40 billion from the Korea Development Bank.

	<b>2022</b>				
	<b>Collateral amount</b>		<b>Borrowing amount</b>		<b>Security right holders</b>
Rental assets <sup>1</sup>	₩	244,079,137	₩	216,418,418	Shinhan bank, KDB, Kookmin bank and others
Land, buildings, machinery, and others		214,611,396		88,943,679	
Equity investments and others <sup>2</sup>		88,932,744		40,000,000	AJU Co., Ltd., Korea Specialty Contractor Financial Cooperative, Engineering guarantee insurance and others
Financial assets at fair value through profit or loss		1,718,052		90,000,000	Kodit 2020 the 15th Securitization Specialty Co., Ltd., and the others

<sup>1</sup> The Group has entered into sales and leaseback contracts of rental assets with some financial institutions, such as IBK Capital, that include conditions for acquisition without considerations after the end of the lease period. The Group recognizes these contracts as collateralized borrowings based on their substance, and the amount secured by collateral for the above rental assets is set at 100% to 130% of balance of borrowings.

<sup>2</sup> The Group borrowed ₩ 40,000,000 thousand from AJU CO., LTD., and pledged all shares issued by AJ Rental Inc. as collateral for the loan with establishing AJU CO., LTD. as the first priority beneficiary.

For six parking towers, including Eastern City Tower operated by AJ Park Co., Ltd., a subsidiary that was disposed for the year ended December 31, 2021, there was an agreement in which the Group assumed contractual obligations, such as payment of a rental deposit and payment of rent and management expenses, to the lessor on condition that the lease is terminated before the expiration of the lease period. In this regard, the Group entered into an agreement with the buyer that Humax Mobility Co., Ltd. and HiParking, the buyers of AJ Park Co., Ltd., jointly guarantee the liability under the replacement lease agreement, and the Group will bear only supplementary liability.

**19. Contingencies and Commitments (cont'd)**

In 2023, the subsidiary company, APS Co.,Ltd. (formerly AJ Autoparking Systems), which was sold during the year, and the guarantee insurance limit transactions between the Korea Finance for Construction and Seoul Guarantee Insurance, are provided with payment guarantees by the Group. In relation to these payment guarantees, the purchasing company, Autronic Co.,Ltd. has entered into a firm commitment to fully indemnify any losses incurred.

*Call-option and drag-along*

	<b>Occurrence condition</b>	<b>Remarks</b>
Call-option	The Group exercises the call-option against the RCPS <sup>1</sup> held by Most X Co.,Ltd. for 5 years from 24 months after the closing date of the transaction	Exercise price: Amount that can achieve IRR 8% of the call-option
Drag-along	If the management performance of Most X Co.,Ltd. does not meet the performance target, the qualifying listing period (four years from the closing date of the transaction) has elapsed and the target company does not meet the requirements for listing, so IPO is not made and the deadline for qualifying listing has passed	Condition that when an investor exercises an option, [Amount that can achieve IRR 8% of the target] is preferentially repaid to the investor up to the total proceeds, and the Group distributes an amount that can achieve an IRR of 8% for the acquisition cost of shares up to the remaining amount

<sup>1</sup> Currently, 2022, all RCPSs have been converted to ordinary shares, and the call-option is still effective on the ordinary shares.

On December 23, 2019, in accordance with the shareholders' agreement entered into between AJ Capital Partners Co., Ltd. and Modu Rental Holdings Co., Ltd., AJ Capital Partners Co., Ltd. was granted call options for all or part of the redeemable convertible preferred shares of Most X Co.,Ltd. held by Modu Rental Holdings Co., Ltd. In addition, AJ Capital Partners Co., Ltd. has granted a right to request joint sale to Modu Rental Holdings Co., Ltd. if Modu Rental Holdings Co., Ltd. sells its shares of Most X Co.,Ltd. Subsequently, following the absorption merger of AJ Capital Partners Co., Ltd.'s Most X-related division on March 31, 2021, all contracts were transferred to the Group.

*Right to acquire without considerations*

As of December 31, 2023, the Group holds the right to acquire without considerations the greater of 17,915 shares from the largest shareholder's holdings or the number of shares equivalent to 7.5% of DaRae Park Tech Co., Ltd.'s total issued shares at the time of transfer, as an option to acquire shares, in relation to the associated company DaRae Park Tech Co., Ltd.

**19. Contingencies and Commitments (cont'd)**

*Call-option and put-option*

	<b>Occurrence condition</b>	<b>Remarks</b>
Call-option	The Group exercises the call-option against 4,800 share of TS GLOBAL CO. held by Park Sejin for 2 years from 5 years after the closing date of the transaction	Exercise price is adjusted by the difference between the net asset value and profit for the previous fiscal year and the amount specified in the contract on the exercise date.
Put-option	Park Sejin exercises the put-option against the Group with 4,800 share of TS GLOBAL CO. for 2 years from 5 years after the closing date of the transaction	Exercise price is adjusted by the difference between the net asset value and profit for the previous fiscal year and the amount specified in the contract on the exercise date.

Call option and put option were granted as for 4,800 shares of TS Global Co., Ltd. as pursuant to the shareholders' contract signed between AJ Networks and TS Global Co., Ltd. on October 6, 2022 and the agreement on termination of transactions based on the above contract signed on November 15, 2022.

For these options, the Group recognized derivative assets of ₩ 1 million (₩ 3,163 million in 2022) and derivative liabilities of ₩ 5,147 million (₩ 6,972 million in 2022).

As of December 31, 2023, 32,381 ordinary shares (acquisition cost of ₩ 9.1 billion) of Most X Co., Ltd. among investments in associates held by the Group are provided as collateral to Mirae Asset Daewoo Co., Ltd. and Shinhan Capital Co., Ltd. amounting to ₩ 42 billion.

As of December 31, 2023, there are 10 litigation (14 litigation in 2022) in which the Group is a defendant. The total litigation value is ₩ 993 million (₩ 1,764 million in 2022). The Group recognizes the provision that is likely to be incurred in the future. As of December 31, 2023, the provision for legal proceedings amounted to ₩ 101 million (₩ 101 million in 2022), and impairments on trade receivables and rental assets and others of ₩ 917 million (₩ 1,141 million in 2022) were reflected in the consolidated financial statements for the year ended December 31, 2023.

The Group has opened and allowed the use of its accounts for the management complex, for which a management organization has not been established. Accordingly, as of December 31, 2023, there is a balance in the Group's account. However, the amount, totaling 11,497 million won, does not constitute a part of the Group's assets.

As of December 31, 2023, the Group holds 25 unissued promissory notes received from Shinhan Bank and others.

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**20. Derivative Financial Instruments**

Details of derivative instruments entered into with financial institutions as of December 31, 2023 and 2022 are as follows :

As of December 31, 2023, the Group has entered into an interest rate swap with financial institutions to hedge the interest rate risk.

Details of unsettled derivative instruments held by the Group as of December 31, 2023 and 2022 are as follows:

*(in thousands of Korean won)*

Type	Period	2023	2022	Financial institutions
Interest rate swap	Jan. 29, 2021 - Jan. 29, 2024	₩ 2,083,333	₩ 10,416,667	Hana bank
	Apr. 28, 2020 – Apr. 28, 2023	-	3,333,320	Nonghyup bank
	May 10, 2023 – May 10, 2026	12,500,000	-	

Details of derivative financial instrument contracts as of December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

Type	Financial institution	2023		2022	
		Assets	Liabilities	Assets	Liabilities
Interest rate swap	Hana bank	₩ 4,838	₩ -	₩ 176,501	₩ -
Interest rate swap	Nonghyup bank	-	-	18,475	-
Interest rate swap	Woori bank	-	55,550	-	-
Right to acquire without considerations	Darae Parktech Co., Ltd.	-	-	615,980	-
Call-option <sup>1</sup>	Modu Rental	669	-	2,547,337	-
Drag-along <sup>1</sup>	Holdings Co., Ltd.	-	5,146,661	-	6,971,882
		₩ 5,507	₩ 5,202,211	₩ 3,358,293	₩ 6,971,882

For the year ended December 31, 2023, the Group recognized the loss on valuation of ₩ 1,583 million (₩ 3,073 million in 2022) in relation to derivatives.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**21. Share Capital and Reserves**

As of December 31, 2023, the total number of shares issued, the number of issued shares and the amount per share are 100,000,000 shares, 45,252,759 shares and ₩ 1,000, respectively.

Changes in share capital and reserves for each of the two years in the period ended December 31, 2023 are as follows:

*(in number of shares  
and in thousands of  
Korean won)*

	2023			2022		
	Number of shares issued	Share capital	Reserves	Number of shares issued	Share capital	Reserves
Beginning balance	46,822,295	₩ 46,822,295	₩ 100,589,604	46,822,295	₩ 46,822,295	₩ 100,589,604
Gain on disposal of Treasury stock	-	-	-	-	-	-
Retirement of treasury stock	(1,569,536)	-	-	-	-	-
Ending balance	<u>45,252,759</u>	<u>₩ 46,822,295</u>	<u>₩ 101,169,895</u>	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 100,589,604</u>

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**22. Capital Adjustment, Other Components of Equity and Other Comprehensive Income**

Capital adjustment, other components of equity and other comprehensive income as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
<b>Capital adjustment</b>		
Treasury shares	₩ (1,210,324)	₩ (6,992,178)
Other capital adjustment	(30,210,994)	(30,210,994)
	<u>₩ (31,421,318)</u>	<u>₩ (37,203,172)</u>
<b>Other components of equity</b>		
Share option	₩ 342,088	₩ 174,614
Others using equity method	(779,728)	(779,728)
	<u>₩ (437,640)</u>	<u>₩ (605,114)</u>
<b>Other comprehensive income</b>		
Change in financial assets at fair value through other comprehensive Income	₩ (402,124)	₩ (602,377)
Equity adjustments using equity method	1,274,769	450,630
Foreign currency translation difference of foreign operations	8,370,640	7,279,658
Remeasurements of the net defined benefit liability (asset)	(6,221)	41,497
Revaluation surplus	48,487,773	-
	<u>₩ 57,724,837</u>	<u>₩ 7,169,408</u>

### 23. Share-based Payments

Share-based payment arrangements granted by the Group as of December 31, 2022, are as follow:

	<b>1st Grant<sup>1</sup></b>	<b>2nd Grant<sup>1</sup></b>
Grant date	March 30, 2021	March 29, 2022
Grant method	Issuance of shares, distributing treasury shares or payment of cash	
Vesting condition and exercisable period	<ul style="list-style-type: none"> <li>- 1st-5th: The options are exercisable if the employees have been completed service for two years after the grant date. The options have a contractual option term of five years at the rate of 20% per annum</li> <li>- In the 5th, the remaining share options are collectively exercised</li> <li>- The exercise period is from March 30, 2023 to March 29, 2028</li> </ul>	<ul style="list-style-type: none"> <li>- 1st-2nd: The options are exercisable if the employees have been completed service for one year after the grant date. The options have a contractual option term of two years at the rate of 50% per annum</li> <li>- In the 2nd, the remaining share options are collectively exercised</li> <li>- The exercise period is from March 29, 2024 to March 28, 2026</li> </ul>
Number of shares to be issued	86,580 shares	287,910 shares
Exercise price	₩ 4,650	₩ 6,180

<sup>1</sup> The Group measured the cost of the share options granted for each of the two years in the period ended December 31, 2023, by fair value approach using the option pricing model approach.

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**23. Share-based Payments (con'd)**

Changes in the number of share options outstanding and their related weighted average exercise prices for each of the two years in the period ended December 31, 2023 are as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Number of options (in shares)</b>	<b>Average exercise price per share option (in Korean won)</b>	<b>Number of options (in shares)</b>	<b>Average exercise price per share option (in Korean won)</b>
Beginning balance	374,490	₩ 5,826	86,580	₩ 4,650
Granted	-	-	287,910	6,180
Ending balance	<u>374,490</u>	<u>₩ 5,826</u>	<u>374,490</u>	<u>₩ 5,826</u>
Exercisable at the end of the reporting period	17,316	₩ 4,650	-	₩ -



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**23. Share-based Payments (cont'd)**

Expiry dates and exercise prices of share options outstanding as of December 31, 2023 and 2022, are as follows:

Grant date	Exercisable period	Expiry date	Exercise price per share (in Korean won)	Number of shares (in shares)	
				2023	2022
Mar. 20, 2021	Mar. 30, 2023	Mar. 29, 2024	₩ 4,650	17,316	17,316
Mar. 30, 2021	Mar. 30, 2024	Mar. 29, 2025	4,650	17,316	17,316
Mar. 30, 2021	May 30, 2025	Mar. 29, 2026	4,650	17,316	17,316
Mar. 30, 2021	Mar. 30, 2026	Mar. 29, 2027	4,650	17,316	17,316
Mar. 30, 2021	Mar. 30, 2027	Mar. 29, 2028	4,650	17,316	17,316
Mar. 29, 2022	Mar. 29, 2024	Mar. 28, 2025	6,180	143,955	143,955
Mar. 29, 2022	Mar. 29, 2025	Mar. 28, 2026	6,180	143,955	143,955
				<b>374,490</b>	<b>374,490</b>

Weighted average remaining period of share options outstanding at the end of the reporting period

2.1                      2.9

The Group measured the cost of the share options granted by fair value using the binomial model approach. The related assumptions and variables to measure the cost of the share options granted are as follows:

(in Korean won)		2nd Grant		1st Grant
Weighted average fair value of share options granted during the year	₩	1,134	₩	736
Weighted average share price at grant date	₩	6,180	₩	4,435
Price volatility		30.6%		31.1%
Dividend yield		4.37%		4.74%
Risk-free interest rate		2.95%		1.78%

Share-based payments recognized as expenses for the year ended December 31, 2023, amount to ₩ 167 million (₩ 156 million in 2022). All expenses are related to equity-settled share-based payments.

## 24. Retained Earnings

Retained earnings as of December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Legal reserves <sup>1</sup>	₩ 7,630,245	₩ 6,421,514
Reserve for business rationalization <sup>2</sup>	1,173,040	1,173,040
Retained earnings before appropriation <sup>3</sup>	236,556,308	238,993,724
	<u>₩ 245,359,593</u>	<u>₩ 246,588,278</u>

<sup>1</sup> The *Commercial Act* of the Republic of Korea requires the Parent Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

<sup>2</sup> The Group also recorded tax credits from *Tax Reduction and Exemption Control Act* as business rationalization reserve until 2002. The reserve can only be used as reserve for loss carry forwards and equity transfer. However, on December 11, 2002, with amended *Tax Reduction and Exemption Control Act*, the related clause was removed, and the business rationalization reserves are changed to discretionary reserves.

<sup>3</sup> During the current period, a change in accounting policy related to investment properties led to the retroactive application of fair value for investment properties, resulting in fluctuations in retained earnings.

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**25. Earnings (Losses) per Share**

Basic earnings (losses) per share for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Profit attributable to the ordinary equity holders of the Parent Company	₩	15,771,857	₩	21,128,711
Profit (loss) from discontinued operation attributable to the ordinary equity holders of the Parent Company		752,764		(12,235,177)
	₩	<u>16,524,621</u>	₩	<u>8,893,534</u>
Weighted average number of ordinary shares outstanding <sup>1</sup> <i>(in shares)</i>		<u>45,034,654</u>		<u>44,767,816</u>
Basic earnings per share from continuing operations <i>(in Korean won)</i>	₩	350	₩	472
Basic earnings (losses) per share from discontinued operations <i>(in Korean won)</i>	₩	<u>17</u>	₩	<u>(273)</u>

<sup>1</sup> Weighted averages number of ordinary shares outstanding for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in shares and thousands of Korean won)</i>	<b>Date</b>	<b>Number of ordinary shares outstanding</b>	<b>Number of days</b>	<b>Weighted average</b>
<b>2023</b>				
Beginning balance	Carried over from prior year	44,767,816	365	₩ 16,340,252,840
Disposal of treasury stock	Disposal during the year	484,943	234	113,476,662
Acquisition of treasury stock	Acquisition during the year	(301,696)	53	(16,080,965)
Total		<u>44,951,063</u>		<u>₩ 16,437,648,537</u>
			÷	<u>365</u>
Weighted average number of shares				<u>₩ 45,034,654</u>
<b>2022</b>				
Beginning balance	Carried over from prior year	44,767,816	365	₩ 16,340,252,840
Total		<u>44,767,816</u>		<u>₩ 16,340,252,840</u>
			÷	<u>365</u>
Weighted average number of shares				<u>₩ 44,767,816</u>

The Group has issued stock options, but there is no dilutive effect, so basic earnings per share and diluted earnings per share are the same. The number of potential ordinary shares without dilutive effect is 374,490 shares (374,490 shares in 2022) as of December 31, 2023.

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**26. Operating Revenue**

Operating revenues for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Rental revenue	₩	451,238,703	₩	405,840,895
Revenue from sale of goods		430,547,657		682,403,877
Others		120,189,634		105,406,894
	₩	<u>1,001,975,994</u>	₩	<u>1,193,651,666</u>

The Group has recognized the following amounts relating to revenue in the statements of comprehensive income for each of the two years in the period ended December 31, 2023:

<i>(in thousands of Korean won)</i>	<b>2023</b>		
	<b>Lease components</b>	<b>Revenue from contracts with customers</b>	<b>Total</b>
Over time			
Rental revenue	₩ 416,711,928	₩ 34,526,775	₩ 451,238,703
Others	-	41,968,610	41,968,610
At a point in time			
Revenue from sale of goods	-	430,547,657	430,547,657
Others	-	78,221,024	78,221,024
	₩ 416,711,928	₩ 585,264,065	₩ 1,001,975,994

<i>(in thousands of Korean won)</i>	<b>2022</b>		
	<b>Lease components</b>	<b>Revenue from contracts with customers</b>	<b>Total</b>
Over time			
Rental revenue	₩ 367,295,377	₩ 38,545,518	₩ 405,840,895
Others	-	33,821,178	33,821,178
At a point in time			
Revenue from sale of goods	-	682,403,877	682,403,877
Others	-	71,585,716	71,585,716
	₩ 367,295,377	₩ 826,356,289	₩ 1,193,651,666

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**27. Selling and Administrative Expenses**

Selling and administrative expenses for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Salaries	₩	53,387,055	₩	57,020,803
Post employment benefits		4,773,035		3,958,346
Employee welfare		9,966,579		8,460,023
Travel		1,807,072		1,449,202
Communications		566,492		593,890
Entertainment		2,502,834		2,784,335
Rental		3,712,670		2,990,592
Depreciation		7,830,627		8,853,267
Commissions and fees		13,661,077		11,985,724
Maintenance of vehicles		2,424,289		2,527,816
Advertisement		2,288,799		1,737,900
Amortization		3,702,648		3,248,236
Allowance for doubtful accounts		3,038,676		3,350,063
Taxes and dues		1,453,070		1,773,316
Service		2,062,619		2,665,064
Freight		1,722,337		1,688,242
Others		4,863,274		4,119,957
	₩	119,763,153	₩	119,206,776

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**28. Finance Income and Costs**

Finance income and costs for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Finance income		
Interest income	₩ 3,832,732	₩ 1,938,197
Dividend income	1,300,518	761,391
Gain on foreign currency transaction	260,996	1,067,627
Gain on foreign currency translation	1,285,216	2,494,324
Financial guarantee income	29,438	334,932
Gain on valuation of derivatives	1,825,221	683,945
Gain on disposal of financial assets at fair value through profit or loss	11,044	-
Gain on valuation of financial assets at fair value through profit or loss	1,770,608	446,665
	<u>₩ 10,315,773</u>	<u>₩ 7,727,082</u>
Finance costs		
Interest expenses	₩ 61,241,929	₩ 37,552,406
Loss on foreign currency transaction	344,932	716,006
Loss on foreign currency translation	1,062,868	99,646
Loss on disposal of financial assets at fair value through profit or loss	4,275	5,886
Loss on valuation of financial assets at fair value through profit or loss	12,731,031	3,160,518
Loss on valuation of derivatives	3,408,336	3,756,874
	<u>₩ 78,793,372</u>	<u>₩ 45,291,336</u>

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**29. Other Income and Expenses**

Other income and expenses for each of the two years in the period ended December 31, 2023 as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Other income		
Gain on disposal of property, plant and equipment	₩ 8,304,077	₩ 209,353
Gain on disposal of intangible assets	1,119,153	-
Gain on disposal of investments in associates	-	487,518
Gains on valuation of investment properties	29,025,151	637,760
Others	10,547,326	4,245,547
	<u>₩ 48,995,708</u>	<u>₩ 5,580,178</u>
Other expenses		
Loss on disposal of property, plant and equipment	₩ 914,091	₩ 108,932
Impairment loss on property, plant and equipment	129,249	405,020
Loss on disposal of intangible assets	897,287	88,200
Impairment loss on intangible assets	948,884	4,798,116
Impairment loss on equity method	5,593,118	6,979,741
Loss on valuation of investment properties	209,469	3,279,703
Others	2,017,196	1,324,790
	<u>₩ 10,709,295</u>	<u>₩ 16,984,503</u>

**30. Share of Profit (Loss) of Associates**

Share of profit (loss) of associates for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Share of profit of associates	₩ 4,113,043	₩ 3,710,850
Share of loss of associates	(24,333,955)	(5,025,824)
	<u>₩ (20,220,912)</u>	<u>₩ (1,314,974)</u>

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**31. Income Tax Expense**

Income tax expense for each of the two years in the period ended December 31, 2023 consists of:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Current tax expense	₩ 8,410,794	₩ 14,522,434
Changes in deferred taxes due to temporary difference	15,417,308	(9,303,061)
Income tax expense directly reflected in equity	(14,141,001)	152,163
Additional income taxes	75,925	439,205
Others	3,586,477	(3,738,077)
Income tax expense	<u>₩ 13,349,503</u>	<u>₩ 2,072,664</u>
From continuing operations	₩ 13,300,038	₩ 5,232,754
From discontinued operations	49,465	(3,160,090)

Reconciliation between profit before income tax and income tax expense for each of the two years in the period ended December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Profit before income tax expense	₩ 29,821,858	₩ 10,739,843
From continuing operations	29,019,629	26,135,110
From discontinued operations	802,228	(15,395,267)
Income tax expense calculated at the applicable tax rate	6,683,078	2,191,433
Tax effects of:		
Non-deductible expenses	9,911,191	(1,845,018)
Non-taxable income	(1,388,357)	79,715
Effect of unrecognized deferred income tax assets and others	(1,856,410)	1,646,535
Income tax expense	<u>₩ 13,349,503</u>	<u>₩ 2,072,664</u>
From continuing operations	₩ 13,300,038	₩ 5,232,754
From discontinued operations	49,465	(3,160,090)
Effective tax rate		
From continuing operations	46%	20%
From discontinued operations <sup>1</sup>	6%	-

<sup>1</sup> Effective tax rate was not calculated due to loss before income tax.



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**31. Income Tax Expense (cont'd)**

The analysis of deferred tax assets and liabilities as of December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	19,771,139	₩	13,830,180
Deferred tax asset to be recovered within 12 months		7,413,253		15,689,034
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(29,771,005)		(14,637,523)
Deferred tax liability to be recovered within 12 months		(4,328,754)		(6,379,750)
Deferred tax assets (liabilities), net	₩	<u>(6,915,366)</u>	₩	<u>8,501,941</u>

The aggregate current and deferred taxes relating to items that are charged or credited directly to equity for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>			<b>2022</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 196,595	₩ (44,060)	₩ 152,534	₩ (1,665,888)	₩ 386,495	₩ (1,279,393)
Remeasurements of net defined benefit liability	-	-	-	284,784	(66,070)	218,714
Equity adjustments using equity method	1,062,197	(238,058)	824,139	725,270	(168,262)	557,008
Revaluation surplus	<u>62,346,656</u>	<u>(13,858,883)</u>	<u>48,487,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
	₩ 63,605,448	₩ (14,141,001)	₩ 49,464,447	₩ (655,834)	₩ 152,163	₩ (503,671)

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**31. Income Tax Expense (cont'd)**

Movements in deferred tax assets and liabilities for each of the two years in the period ended December 31, 2023 without taking into consideration the offsetting of balances, are as follows:

(in thousands of Korean won)

	<b>2023</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
<b>Deferred tax liabilities</b>				
Right-of-use assets	₩ (604,634)	₩ 282,008	₩ -	₩ (322,626)
Advance depreciation provision (land)	(6,803,893)	(6,042)	-	(6,809,934)
Investments in subsidiaries	(701,898)	57,267	(238,058)	(882,689)
Depreciation	(1,933,898)	1,933,898	-	-
Investment properties	-	(8,454,395)	-	(8,454,395)
Revaluation model	-	1,849,510	(13,858,883)	(12,009,373)
Others	(1,098,455)	(734,245)	-	(1,832,700)
	<u>(11,142,778)</u>	<u>(5,071,999)</u>	<u>(14,096,940)</u>	<u>(30,311,717)</u>
<b>Deferred tax assets</b>				
Investments in subsidiaries	5,121,686	3,609,593	-	8,731,278
Allowance for doubtful accounts	5,076,047	(1,634,465)	-	3,441,582
Impairment loss on financial assets at fair value through other comprehensive income	12,111	(12,111)	-	-
Lease liabilities	801,017	(454,888)	-	346,129
Depreciation	32,356	49,543	-	81,900
Tax losses carryforward	4,085,338	3,608,442	-	7,693,780
Loss on valuation of derivatives	585,375	(396,096)	-	189,279
Loss on obsolescence of inventories	1,849,584	(28,265)	-	1,821,320
Financial guarantee	3,147,139	(3,173,309)	-	(26,170)
Financial instruments at fair value through profit or loss	1,498,413	3,086,613	(44,060)	4,540,965
Others	5,156,111	(7,222,205)	-	(2,066,093)
	<u>27,365,177</u>	<u>(2,567,146)</u>	<u>(44,060)</u>	<u>24,753,970</u>
	<u>16,222,399</u>	<u>(7,639,145)</u>	<u>(14,141,001)</u>	<u>(5,557,747)</u>
Effect of exclusion of deferred tax recognition	7,720,458	(6,362,839)	-	1,357,619
Recognition of deferred tax assets (liabilities)	<u>₩ 8,501,941</u>	<u>₩ (1,276,307)</u>	<u>₩ (14,141,001)</u>	<u>₩ (6,915,366)</u>

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**31. Income Tax Expense (cont'd)**

(in thousands of Korean won)

	<b>2022</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
<b>Deferred tax liabilities</b>				
Right-of-use assets	₩ (1,060,830)	₩ 456,196	₩ -	₩ (604,634)
Advance depreciation provision (land)	(6,684,801)	(119,092)	-	(6,803,893)
Rental assets	(76,729)	76,729	-	-
Investments in subsidiaries	(2,293,190)	1,759,554	(168,263)	(701,898)
Depreciation	-	(1,933,898)	320,425	(1,613,473)
Others	(7,727,616)	6,308,735	-	(1,418,880)
	<u>(17,843,166)</u>	<u>6,548,225</u>	<u>152,163</u>	<u>(11,142,778)</u>
	<u>(1,060,830)</u>	<u>456,196</u>	<u>-</u>	<u>(604,634)</u>
<b>Deferred tax assets</b>				
Investments in subsidiaries	(2,102,585)	7,224,271	-	5,121,686
Allowance for doubtful accounts	2,986,267	2,089,780	-	5,076,047
Impairment loss on financial assets at fair value through other comprehensive income	29,836	(17,725)	-	12,111
Lease liabilities	1,187,346	(386,329)	-	801,017
Depreciation	36,453	(4,096)	-	32,356
Tax losses carryforward	2,789,351	1,295,987	-	4,085,338
Loss on valuation of derivatives	188,026	397,349	-	585,375
Loss on obsolescence of inventories	-	1,849,584	-	1,849,584
Financial guarantee	(7,590)	3,154,729	-	3,147,139
Financial instruments at fair value through profit or loss	912,446	585,966	-	1,498,413
Others	10,627,000	(5,470,888)	-	5,156,111
	<u>16,646,550</u>	<u>10,718,628</u>	<u>-</u>	<u>27,365,177</u>
	<u>(1,196,616)</u>	<u>17,266,853</u>	<u>152,163</u>	<u>16,222,399</u>
Effect of exclusion of deferred tax recognition	(395,497)	8,115,955	-	7,720,458
Recognition of deferred tax assets (liabilities)	<u>₩ (801,119)</u>	<u>₩ 9,150,898</u>	<u>₩ 152,163</u>	<u>₩ 8,501,941</u>

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**31. Income Tax Expense (cont'd)**

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Deductible temporary differences		
Investments in associates	₩ 13,293,343	₩ 27,060,676
Tax losses carryforward	3,501,180	10,411,159
Financial guarantee	(89,760)	(549,090)
Others	390,890	391,841
	<u>₩ 17,095,653</u>	<u>₩ 37,314,586</u>

The maturity of unused losses for each of the two years in the period ended December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
2027	₩ 54,226	₩ 54,226
2028	347,085	827,045
2029	589,641	967,702
2030	260,718	260,718
After 2030	10,921,956	4,441,866
	<u>₩ 12,173,626</u>	<u>₩ 6,551,556</u>

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**32. Breakdown of Expenses by Nature**

Details of expenses by nature (operating expenses in the consolidated statements of comprehensive income) for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Use of goods and storage products	₩ 472,938,629	₩ 674,420,611
Salaries	87,798,507	88,409,898
Post employment benefits	6,923,861	5,971,659
Employee welfare	13,791,058	11,462,237
Rental	8,219,610	3,684,845
Depreciation	161,695,716	151,956,632
Amortization	3,995,482	3,536,728
Commissions and fees	54,000,158	49,607,116
Maintenance of vehicles	6,593,334	34,064,208
Advertisement	2,288,799	1,737,900
Allowance for doubtful accounts	3,038,676	3,350,063
Freight charge	59,348,842	48,137,273
Impairment loss on rental assets	837,297	743,443
Other expenses	42,120,168	40,150,388
	<u>₩ 923,590,137</u>	<u>₩ 1,117,233,001</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**33. Cash Generated from Operations**

Cash generated from operation for each of the two years in the period ended December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Profit for the year	₩	16,472,355	₩	8,667,178
Adjustments for:				
Depreciation		163,432,228		154,851,795
Gain on disposal of property, plant and equipment		(8,304,077)		(324,964)
Loss on disposal of property, plant and equipment		914,091		108,932
Amortization		4,224,345		3,695,985
Gain on disposal of intangible assets		(1,119,153)		-
Loss on disposal of intangible assets		897,287		88,200
Impairment loss on intangible assets		948,884		4,798,116
Impairment loss		3,038,676		3,387,573
Other impairment loss		-		72,054
Gain on valuation of financial assets at fair value through profit or loss		(1,770,608)		(448,250)
Loss on valuation of financial assets at fair value through profit or loss		12,731,031		3,160,518
Gain on disposal of financial assets at fair value through profit or loss		(11,044)		-
Loss on disposal of financial assets at fair value through profit or loss		4,275		5,886
Share of profit or associates		(4,113,043)		(3,710,850)
Share of loss or associates		24,333,955		5,025,824
Impairment loss on equity method		5,593,118		6,979,741
Interest income		(3,837,518)		(1,945,714)
Interest expenses		61,391,387		39,703,943
Impairment loss on rental assets		837,297		743,443
Loss on valuation of inventories		1,049,085		508,791
Loss on disposal of investment properties		(29,025,151)		(637,760)
Gain on valuation of investment properties		209,469		3,279,703
Loss on valuation of investment properties		-		73,469
Income tax expenses		13,349,503		2,072,664
Gain on disposal of non-current assets held for sale		(1,732,291)		-
Impairment loss on non-current assets held for sale		-		14,646,162
Salaries		2,229,438		-
Others		(4,087,416)		(925,510)
		<u>241,183,768</u>		<u>235,209,752</u>
Change in operating assets and liabilities:				
Increase in trade receivables		(16,163,154)		(9,266,042)

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<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Decrease (increase) in other current financial assets	3,610,486	(2,405,658)
Decrease (increase) in other non-current financial assets	(12,083,943)	(2,783,543)
Decrease (increase) in other current assets	5,993,221	17,134,783
Decrease in other non-current assets	(722)	19,169,996
Decrease in inventories	21,047,242	12,640,322
Increase in rental assets	(193,875,758)	(235,085,911)
Increase (decrease) in other non-current financial liabilities	51,665	154,220
Increase in trade payables	(4,427,333)	15,277,817
Increase (decrease) in other current financial liabilities	(9,201,827)	6,215,967
Increase in other current liabilities	(2,839,457)	2,306,719
Increase (decrease) in other non-current liabilities	924,268	453,742
Others	(300,765)	(1,985,809)
	<u>(207,266,077)</u>	<u>(178,173,397)</u>
Cash generated from operations	<u>₩ 50,390,046</u>	<u>₩ 65,703,534</u>

Significant non-cash transactions for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Transfer of long-term borrowings to current portion of borrowings	₩ 292,048,507	₩ 231,028,286
Transfer of debentures to current portion of debentures	174,691,239	230,556,882
Transfer of lease liabilities to current portion of lease liabilities	12,330,342	12,670,616
Deposits for investment property (land) (reclassification)	8,963,000	-
Non-trade payables related to acquisition of property, plant and equipment	4,389,533	179,404
Increase in right-of-use assets and lease liabilities	8,150,188	16,223,344
Increase in revaluation surplus of tangible assets	62,346,656	-
Increase (decrease) in valuation gain on investment property	28,815,682	(3,609,510)
Reclassification of non-current assets held for sale	-	4,447,872
Non-trade payables related to acquisition of investment in subsidiaries	-	1,711,242
Payout of bonuses in the form of treasury stock	2,229,438	-

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**33. Cash Generated from Operations (cont'd)**

Changes in liabilities arising from financial activities for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>			
	<b>Beginning balance</b>	<b>Cash flows</b>	<b>Non-cash effects</b>	<b>Ending balance</b>
Borrowings	₩ 614,092,068	₩ 81,980,913	₩ 5,432,659	₩ 701,505,640
Debentures	296,004,618	49,663,368	744,465	346,412,451
Lease liabilities	45,015,588	(2,836,522)	(21,745,767)	20,433,299
Rental deposits	2,895,934	(172,676)	212,165	2,935,423
	<u>₩ 958,008,208</u>	<u>₩ 128,635,083</u>	<u>₩ (15,356,478)</u>	<u>₩ 1,071,286,813</u>

<i>(in thousands of Korean won)</i>	<b>2022</b>			
	<b>Beginning balance</b>	<b>Cash flows</b>	<b>Non-cash effects</b>	<b>Ending balance</b>
Borrowings	₩ 490,064,973	₩ 122,471,360	₩ 1,555,736	₩ 614,092,069
Debentures	339,593,114	(44,006,685)	418,188	296,004,617
Lease liabilities	42,137,154	(12,392,273)	15,270,707	45,015,588
Rental deposits	3,152,271	78,506	(334,843)	2,895,934
	<u>₩ 874,947,512</u>	<u>₩ 66,150,908</u>	<u>₩ 16,909,788</u>	<u>₩ 958,008,208</u>

**34. Financial Risk Management**

The Group's activities are exposed to a variety of financial risks: market risk (comprised of foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group monitors and manages the financial risk arising from the Group's underlying operations in accordance with the risk management policies and programs.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Credit risk is borne by not only the credit risk arisen by customers with receivables and firm contracts but cash and cash equivalent, financial derivatives, financial institution deposit and financial guarantee



### **34. Financial Risk Management (cont'd)**

liabilities. For customers, credit risk is assessed by considering customer's financial condition, past experience and other factors.

#### **(b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To maintain adequate sources of liquidity, the Group manages liquidity risk by analyzing and adjusting expected cash outflows periodically.

#### **(c) Market risk**

Market risk is the risk of fluctuations in fair value of financial instrument and future cash flow by changes of market price. The purpose for managing market price is to optimize profits, while manage and control on exposure to market risk within acceptable limits.

##### **a) Foreign exchange risk**

The major currencies are denominated in dollars, yuan and others, and the Group has established a policy to manage foreign exchange risk on functional currency.

##### **b) Interest rate risk**

The Group is exposed to interest rate. The risk is composed of the changes in amount of accounts including finance assets and liabilities, and changes in interest income (expense) from investment and borrowings. The interest rate risk is borne by the interest-bearing liabilities and assets, such as debentures or loan. The purpose of the Group's interest rate risk management is to mitigate the interest rate risk and minimize the net interest expense, further to optimize the enterprise value.

##### **c) Price risk**

The Group's activities are exposed to price risk related to marketable securities by changes of market price. Stocks held by the Group are traded in public market.

##### **(d) Management of capital risk**

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As for this to be maintained, the Group uses debt ratio as indicator of capital management. Net debts are the amount obtained by subtracting cash and cash equivalents from total borrowings (including short-term and long-term borrowings in the consolidated statement of financial position) and total capital consists with net debts and capital.

### 35. Risk Management of Financial Instruments

(a) *Credit risk*

a) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as of December 31, 2023 and 2022 is as follows:

<i>(in thousands of Korean won)</i>		<b>2023</b>		<b>2022</b>
Cash and cash equivalents <sup>1</sup>	₩	122,073,125	₩	131,827,011
Trade receivables		110,780,653		95,025,112
Other current financial assets		34,147,300		21,289,310
Financial assets at fair value through profit or loss (current)		1,428,486		3,848,587
Financial assets at fair value through profit or loss (non-current)		933,505		549,723
Long-term financial instruments		4,774,890		1,358,500
Other non-current financial assets		30,771,334		30,440,650
Derivative financial assets (current)		5,507		18,475
Derivative financial assets (non-current)		-		176,501
Financial guarantee contracts <sup>2</sup>		11,621,708		14,589,127

<sup>1</sup> Cash on hand is excluded.

<sup>2</sup> This amount represents the total amount that payments can be made in the future due to the financial guarantee contract.

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**35. Risk Management of Financial Instruments (cont'd)**

b) Impairment loss

The impairment loss as of December 31, 2023 and 2022 was determined as follows for trade receivables:

<i>(in thousands of Korean won)</i>	<b>Current</b>	<b>More than 3 months past due</b>	<b>More than 6 months past due</b>	<b>More than 1 year past due</b>	<b>Total</b>
<b>As of December 31, 2023</b>					
Expected loss rate	0.34%	5.29%	38.39%	99.37%	
Gross carrying amount – trade receivables	₩ 105,703,956	₩ 4,837,992	₩ 1,257,733	₩ 12,780,959	₩ 124,580,640
Loss allowance	360,760	255,997	482,838	12,700,392	13,799,987
<b>As of December 31, 2022</b>					
Expected loss rate	0.63%	12.73%	65.62%	95.67%	
Gross carrying amount – trade receivables	₩ 92,199,177	₩ 2,297,710	₩ 2,806,625	₩ 10,188,394	₩ 107,491,906
Loss allowance	585,418	292,398	1,841,685	9,747,293	12,466,794

Movements in the loss allowance for trade receivables for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Beginning balance	₩ 12,466,794	₩ 17,335,303
Impairment loss	2,690,376	3,308,675
Write-off	(1,340,521)	(1,547,076)
Exchange difference	(4,659)	97,267
Changes in scope of consolidation <sup>1</sup>	(12,003)	(6,727,375)
Ending balance	<u>₩ 13,799,987</u>	<u>₩ 12,466,794</u>

<sup>1</sup> It includes replacements to non-current assets held for sale.

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**35. Risk Management of Financial Instruments (cont'd)**

*(b) Liquidity risk*

Aggregate maturities of the Group's financial liabilities, including estimated interest, as of December 31, 2023 and 2022 are as follows:

*(in thousands of Korean won)*

	<b>2023</b>			
	<b>Within 1 year</b>	<b>1~2 years</b>	<b>Over 2 years</b>	<b>Total</b>
Trade payables	₩ 50,943,141	₩ -	₩ -	₩ 50,943,141
Long and short-term borrowings	410,318,219	307,459,029	48,698,127	766,475,375
Debentures	191,444,472	178,673,445	-	370,117,917
Other financial liabilities	45,816,569	1,891,581	2,990,214	50,698,364
Financial guarantee contracts <sup>1</sup>	11,621,708	-	-	11,621,708

<sup>1</sup> This amount represents the total amount that payments can be made in the future due to the financial guarantee contract, and the maximum amount of guarantee is allocated to earliest period in which the Group can be required to make payments.

*(in thousands of Korean won)*

	<b>2022</b>			
	<b>Within 1 year</b>	<b>1~2 years</b>	<b>Over 2 years</b>	<b>Total</b>
Trade payables	₩ 55,310,291	₩ -	₩ -	₩ 55,310,291
Long and short-term borrowings	453,298,784	117,941,794	67,791,687	639,032,265
Debentures	239,605,333	37,327,682	31,379,671	308,312,686
Other financial liabilities	43,540,095	3,208,940	1,051,887	47,800,922
Financial guarantee contracts <sup>1</sup>	14,589,127	-	-	14,589,127

<sup>1</sup> This amount represents the total amount that payments can be made in the future due to the financial guarantee contract, and the maximum amount of guarantee is allocated to earliest period in which the Group can be required to make payments.

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**35. Risk Management of Financial Instruments (cont'd)**

*(c) Foreign exchange risk*

If currency changes by 1% with all other variables held constant, the profit after income taxes and equity would have been affected as of December 31, 2023 and 2022 as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
USD/won	₩ 519,347	₩ (519,347)	₩ 135,268	₩ (135,268)
CNY/won	-	-	(37,493)	37,493
VND/won	683,848	(683,848)	(351,003)	351,003
JPY/won	3,296	(3,296)	3,556	(3,556)
SAR/won	562	(562)	245	(245)
HUF/won	2,338	(2,338)	83	(83)
PLN/won	122,183	(122,183)	48,622	(48,622)

*(d) Interest rate risk*

If interest rate changes by 100bp with all other variables held constant, the profit after income taxes and equity would have been affected as of December 31, 2023 and 2022 as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>100bp increase</b>	<b>100bp decrease</b>	<b>100bp increase</b>	<b>100bp decrease</b>
Interest expenses	₩ (6,029,210)	₩ 6,029,210	₩ (3,837,103)	₩ 3,837,103
Interest income	694,456	(694,456)	321,792	(321,792)

*(e) Capital risk*

Debt to equity percentage as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Total borrowings	₩ 1,068,351,391	₩ 955,112,274
Less: cash and cash equivalents	122,102,072	131,861,398
Net liabilities(a)	946,249,319	823,250,877
Equity(b)	419,651,810	363,475,831
Total capital(c=a+b)	₩ 1,365,901,129	₩ 1,186,726,708
Equity ratio(a/c)	69.30%	69.50%

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**35. Risk Management of Financial Instruments (cont'd)**

(f) Fair value

a) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023									
	Carrying amount									
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	Fair value				
<b>Financial assets measured at fair value</b>										
Financial assets at fair value through profit or loss (current)	₩ 1,428,486	₩ -	₩ -	₩ -	₩ 1,428,486	₩ 1,428,486				
Financial assets at fair value through profit or loss (non-current)	17,986,117	-	-	-	17,986,117	18,235,143				
Financial assets at fair value through other comprehensive income	-	13,447,136	-	-	13,447,136	13,447,136				
Other financial assets (derivative financial assets)	5,507	-	-	-	5,507	5,507				
	<u>₩ 19,420,110</u>	<u>₩ 13,447,136</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 32,867,246</u>	<u>₩ 33,116,271</u>				
<b>Financial assets not measured at fair value</b>										
Cash and cash equivalents	₩ -	₩ -	₩ 122,102,072	₩ -	₩ 122,102,072					₩ 122,102,072
Trade receivables	-	-	110,780,653	-	110,780,653					₩ 110,780,653
Other current financial assets (except for derivatives)	-	-	34,147,300	-	34,147,300					₩ 34,147,300
Other non-current financial assets (except for long- term financial instruments and derivatives)	-	-	30,771,334	-	30,771,334					₩ 30,771,334
Long-term financial instruments	-	-	4,774,890	-	4,774,890					₩ 4,774,890
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 302,576,249</u>	<u>₩ -</u>	<u>₩ 302,576,249</u>					
<b>Financial liabilities measured at fair value</b>										
Derivative financial liabilities	₩ 5,202,211	₩ -	₩ -	₩ -	₩ 5,202,211	₩ 5,202,211				₩ 5,202,211
<b>Financial liabilities not measured at fair value</b>										
Trade payables	₩ -	₩ -	₩ 50,943,141	₩ -	₩ 50,943,141					₩ 50,943,141

**AJ Networks Co., Ltd. and its subsidiaries**  
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	<b>2023</b>					
	<b>Carrying amount</b>					
	<b>Fair value through profit or loss</b>	<b>Fair value through other comprehensive income</b>	<b>Amortized cost</b>	<b>Financial guarantee liabilities</b>	<b>Total</b>	<b>Fair value</b>
Borrowings	-	-	701,505,640	-	701,505,640	₩ 700,317,802
Debentures	-	-	346,412,451	-	346,412,451	347,276,050
Other current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	49,212,466	-	49,212,466	*1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	4,274,109	-	4,274,109	*1
Financial guarantee liabilities	-	-		3,332	3,332	*1
	₩ -	₩ -	₩ 1,152,347,807	₩ 3,332	₩ 1,152,351,139	

<sup>1</sup> The financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

(in thousands of  
Korean won)

	<b>2022</b>					
	<b>Carrying amount</b>					
	<b>Fair value through profit or loss</b>	<b>Fair value through other comprehensive income</b>	<b>Amortized cost</b>	<b>Financial guarantee liabilities</b>	<b>Total</b>	<b>Fair value</b>
<b>Financial assets measured at fair value</b>						
Financial assets at fair value through profit or loss (current)	₩ 3,848,587	₩ -	₩ -	₩ -	₩ 3,848,587	₩ 3,848,587
Financial assets at fair value through profit or loss (non-current)	22,812,260	-	-	-	22,812,260	22,812,260
Financial assets at fair value through other comprehensive income	-	12,685,376	-	-	12,685,376	12,685,376
Other financial assets (derivative financial assets)	3,358,293	-	-	-	3,358,293	3,358,293
	₩ 30,019,140	₩ 12,685,376	₩ -	₩ -	₩ 42,704,516	₩ 42,704,516
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	₩ -	₩ -	₩ 131,861,398	₩ -	₩ 131,861,398	*1

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(in thousands of  
Korean won)

	2022					
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	Fair value
Trade receivables	-	-	94,962,108	-	94,962,108	*1
Other current financial assets	-	-	21,288,200	-	21,288,200	*1
Other non-current financial assets (except for derivatives and long-term financial instruments)	-	-	30,440,650	-	30,440,650	*1
Long-term financial instruments	-	-	1,358,500	-	1,358,500	*1
	₩	₩	₩ 279,910,856	₩	₩ 279,910,856	
<b>Financial liabilities measured at fair value</b>						
Other financial liabilities (derivative financial liabilities)	₩ 6,971,882	₩	-	₩	-	₩ 6,971,882
<b>Financial liabilities not measured at fair value</b>						
Trade payables	₩	₩	₩ 55,310,291	₩	₩ 55,310,291	*1
Borrowings	-	-	614,092,068	-	614,092,068	₩ 607,094,592
Debentures	-	-	296,004,618	-	296,004,618	294,873,422
Other current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	44,990,998	-	44,990,998	*1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	4,090,965	-	4,090,965	*1
Financial guarantee liabilities	-	-	-	190,289	190,289	*1
	₩	₩	₩ 1,014,488,940	₩ 190,289	₩ 1,014,679,229	

<sup>1</sup> The financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.



**AJ Networks Co., Ltd. and its subsidiaries**  
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**35. Risk Management of Financial Instruments (cont'd)**

b) Fair value hierarchy

Fair value measurements classified by fair value hierarchy as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 19,414,602	₩ 19,414,602
Financial assets at fair value through other comprehensive income	4,045,410	-	9,401,726	13,447,136
Derivative financial assets	-	4,838	669	5,507
Derivative financial liabilities	-	55,550	5,146,661	5,202,211
<i>(in thousands of Korean won)</i>	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 26,660,847	₩ 26,660,847
Financial assets at fair value through other comprehensive income	3,244,488	-	9,440,888	12,685,376
Derivative financial assets	-	194,976	3,163,317	3,358,293
Derivative financial liabilities	-	-	6,971,882	6,971,882

There are no material transfers between levels 1, 2 and 3.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**AJ Networks Co., Ltd. and its subsidiaries**  
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**35. Risk Management of Financial Instruments (cont'd)**

The valuation techniques and the unobservable inputs used in measuring Level 2 fair values as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>		<b>Valuation techniques</b>
Derivative financial assets	₩	4,838	₩	194,976	DCF model <sup>1</sup>
Derivative financial liabilities		55,550		-	

<sup>1</sup> The fair value of the interest rate swap is calculated as the present value of future cash flows estimated by observable yield curves. The interest rate used for discounting expected cash flows was determined by adding a credit spread to the year-end government bond yield.

The valuation techniques and the unobservable inputs used in measuring Level 3 fair values as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>Fair value</b>				<b>Valuation techniques</b>	<b>Inputs</b>
	<b>2023</b>		<b>2022</b>			
Financial assets at fair value through profit or loss	₩	19,414,602	₩	26,660,847	Net asset value method, DCF model and others	Discount rate adjusted for credit risk
Financial assets at fair value through other comprehensive income		9,401,726		9,440,888		
Derivative financial assets		669		3,163,317	Value of the fund portfolio, Underlying asset prices and others	Binominal model
Derivative financial liabilities		5,146,661		6,971,882		

**AJ Networks Co., Ltd. and its subsidiaries**  
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**35. Risk Management of Financial Instruments (cont'd)**

Changes in level 3 for recurring fair value measurements for each of the two years in the period ended December 31, 2023 are as follows:

*(in thousands of Korean won)*

	2023			
	Financial assets			Financial liabilities
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Derivatives	Derivatives
Beginning balance	₩ 9,440,888	₩ 26,660,847	₩ 3,163,317	₩ 6,971,882
Total profit or loss				
Amount recognized in profit or loss	-	(10,960,423)	(3,162,648)	(1,825,221)
Amount recognized in other comprehensive income	(188,478)	-	-	-
Purchases	-	45,090,498	-	-
Sales	-	41,186,170	-	-
Others	149,317	(82,562,490)	-	-
Ending balance	₩ 9,401,726	₩ 19,414,602	₩ 669	₩ 5,146,661

*(in thousands of Korean won)*

	2022			
	Financial assets			Financial liabilities
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Derivatives	Derivatives
Beginning balance	₩ 9,607,037	₩ 25,750,876	₩ 4,542,405	₩ 5,210,076
Total profit or loss				
Amount recognized in profit or loss	-	(2,713,853)	(1,379,088)	1,761,806
Amount recognized in other comprehensive income	60,031	-	-	-
Purchases	523,763	4,716,367	-	-
Sales	-	(488,705)	-	-
Others	(749,944)	(603,838)	-	-
Ending balance	₩ 9,440,887	₩ 26,660,847	₩ 3,163,317	₩ 6,971,882

**AJ Networks Co., Ltd. and its subsidiaries**  
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**35. Risk Management of Financial Instruments (cont'd)**

The sensitivity analysis for the effect on comprehensive income before income tax from changes in inputs for each financial instrument for each of the two years in the period ended December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Favorable changes (changes by 1%)</b>	<b>Unfavorable changes (changes by 1%)</b>	<b>Favorable changes (changes by 1%)</b>	<b>Unfavorable changes (changes by 1%)</b>
Financial assets at fair value through profit or loss <sup>1</sup>	₩ 194,146	₩ (194,146)	₩ 266,608	₩ (266,608)
Financial assets at fair value through other comprehensive income <sup>1</sup>	94,017	(94,017)	94,409	(94,409)
Derivative financial assets <sup>2</sup>	96	(96)	118,278	(117,779)
Derivative financial liabilities <sup>2</sup>	(51,546)	51,553	3,283	93,119

<sup>1</sup> Changes in their fair value are calculated by increasing or decreasing the growth rate, which are significant unobservable inputs, by 1%.

<sup>2</sup> Changes in their fair value are calculated by increasing or decreasing the underlying asset price, which are significant unobservable inputs, by 1%.

Changes in fair value are calculated by increasing or decreasing the significant unobservable inputs. Changes when decreasing input by 1% is calculated as favorable changes (unfavorable changes for derivative financial liabilities) and changes when increasing input by 1% is calculated as unfavorable changes (favorable changes for derivative financial liabilities).

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**35. Risk Management of Financial Instruments (cont'd)**

c) Financial instruments not measured at fair value, and for which fair value is disclosed

Financial instruments recognized by amortized cost, but presented as fair value classified by fair value hierarchy as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Borrowings	₩ -	₩ -	₩ 700,317,802	₩ 700,317,802
Debentures	-	-	347,276,050	347,276,050
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,047,593,852</u>	<u>₩ 1,047,593,852</u>

<i>(in thousands of Korean won)</i>	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Borrowings	₩ -	₩ -	₩ 607,094,592	₩ 607,094,592
Debentures	-	-	294,873,421	294,873,421
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 901,968,013</u>	<u>₩ 901,968,013</u>

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>	<b>Fair value</b>		<b>Valuation techniques</b>	<b>Valuation techniques</b>
	<b>2023</b>	<b>2022</b>		
Borrowings	₩ 700,317,802	₩ 607,094,592	Discount rate considering credit risk	DCF model
Debentures	347,276,050	294,873,422		

**AJ Networks Co., Ltd. and its subsidiaries**  
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**35. Risk Management of Financial Instruments (cont'd)**

(g) *Net gains or losses by category of financial instruments*

Net gains or losses on each category of financial instruments for each of the two years in the period ended December 31, 2023 are as follows:

(in thousands of Korean won)

	<b>2023</b>		
	<b>Finance income</b>	<b>Finance costs</b>	<b>Other comprehensive income</b>
Assets at amortized cost	₩ 6,283,525	₩ -	₩ -
Financial assets at fair value through profit or loss	1,781,652	12,735,306	-
Financial assets at fair value through other comprehensive income	395,937	-	152,534
Liabilities at amortized cost	-	62,649,730	-
Financial guarantee liabilities	29,438	-	-
Derivatives	1,825,221	3,408,336	-
	<u>₩ 10,315,773</u>	<u>₩ 78,793,372</u>	<u>₩ 152,534</u>

(in thousands of Korean won)

	<b>2022</b>		
	<b>Finance income</b>	<b>Finance costs</b>	<b>Other comprehensive income</b>
Assets at amortized cost	₩ 6,263,897	₩ -	₩ -
Financial assets at fair value through profit or loss	446,666	3,166,403	-
Financial assets at fair value through other comprehensive income	-	-	(1,279,393)
Liabilities at amortized cost	-	38,509,274	-
Financial guarantee liabilities	334,932	-	-
Derivatives	683,945	3,756,874	-
	<u>₩ 7,729,440</u>	<u>₩ 45,432,551</u>	<u>₩ (1,279,393)</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**36. Related Party Transactions**

Details of associates and other related parties as of December 31, 2023 and 2022, are as follows:

Type	2023
Associates	Auto Gallery Holdings, Inc. Cha Partners Public Mobility No. 1 Private Equity Partnership Cha Partners Public Mobility No. 2 Private Equity Partnership Cha Partners Public Mobility No. 3 Private Equity Partnership Darae Parktech Co., Ltd. Guro Hyeonju Motors Co., Ltd. AJ Fleet Link Co., Ltd. Most X Co.,Ltd. <sup>1</sup> BNP INC. Junsymall.com co.,Ltd A2 Partners Rhinos No.1 Limited Partnership
Others	Songdo Trans Co., Ltd. <sup>2</sup> AJU CO., LTD.

<sup>1</sup> In 2023, Modu Rental Co., Ltd. changed its name to MostX Co., Ltd.

<sup>2</sup> It is a wholly owned subsidiary of Cha Partners Public Mobility No. 2 Private Equity Partnership, an associate of the Group.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**36. Related Party Transactions (cont'd)**

Type	2022
Associates	Auto Gallery Holdings, Inc. Cha Partners Public Mobility No. 1 Private Equity Partnership Cha Partners Public Mobility No. 2 Private Equity Partnership Cha Partners Public Mobility No. 3 Private Equity Partnership Darae Parktech Co., Ltd. Guro Hyeonju Motors Co., Ltd. AJ Fleet Link Co., Ltd. Modu Rental Co., Ltd. BNP INC. Junsymall.com co.,Ltd A2 Partners Rhinos No.1 Limited Partnership
Others	Songdo Trans Co., Ltd. <sup>1</sup> AJU CO., LTD.

<sup>1</sup> It is a wholly owned subsidiary of Cha Partners Public Mobility No. 2 Private Equity Partnership, an associate of the Group.

Sales and purchases with the related parties for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	2023					
	Operating revenue	Non-operating revenue	Operating expenses	Non-Operating expenses	Purchase of non-current assets	Disposal of non-current assets
<b>Associates</b>						
Auto Gallery Holdings, Inc.	₩ -	₩ 466,805	₩ 440,261	₩ -	₩ -	₩ -
Darae Parktech Co., Ltd.	17,962	-	-	-	-	-
Most X Co.,Ltd.	2,233	-	-	-	-	-
Junsymall.com co.,Ltd	6,385,169	12,091	9,710	-	16,862	16,900
AJ Fleet Link Co., Ltd.	171,423	-	-	-	-	-
<b>Others</b>				1,237,652	-	-
AJU CO., LTD.	52,774	-	-	1,237,652	-	-
	₩ 6,629,561	₩ 478,896	₩ 449,971	₩ 1,237,652	₩ 16,862	₩ 16,900



**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**36. Related Party Transactions (cont'd)**

<i>(in thousands of Korean won)</i>	<b>2022</b>				
	<b>Operating revenue</b>	<b>Non-operating revenue</b>	<b>Operating expenses</b>	<b>Other expenses</b>	<b>Disposal of non-current assets</b>
<b>Associates</b>					
Auto Gallery Holdings, Inc.	₩ -	₩ 220,207	₩ 426,343	₩ -	₩ -
Darae Parktech Co., Ltd.	17,891	-	-	-	-
Modu Rental Co., Ltd.	2,362	-	-	-	-
Junsymall.com co.,Ltd	11,710,007	-	15,450	-	31,471
AJ Fleet Link Co., Ltd.	215,785	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	976	-	26,987	-	-
<b>Others</b>					
Songdo Trans Co., Ltd.	-	23,397	-	-	-
AJU CO., LTD.	117,993	-	-	295,200	-
	<u>₩ 12,065,014</u>	<u>₩ 243,604</u>	<u>₩ 468,780</u>	<u>₩ 295,200</u>	<u>₩ 31,471</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**36. Related Party Transactions (cont'd)**

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

	2023				
	Receivables			Payables	
	Trade receivables	Non-trade receivables	Loans	Accrued income and others	Trade payables
<b>Associates</b>					
Auto Gallery Holdings, Inc.	₩ -	₩ -	₩ 5,157,600	₩ 39,074	₩ -
Darae Parktech Co., Ltd.	1,535	-	-	-	-
Most X Co.,Ltd.	409	-	-	-	-
AJ Junsymall Co., Ltd.	1,400,305	108,532	-	440,000	11,220
AJ Fleet Link Co., Ltd.	7,216	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	583	-	-	-	1,180
<b>Others</b>					
AJU CO., LTD.	495	-	-	-	-
	<u>₩ 1,410,543</u>	<u>₩ 108,532</u>	<u>₩ 5,157,600</u>	<u>₩ 479,074</u>	<u>₩ 12,400</u>

(in thousands of  
Korean won)

	2022					
	Receivables			Payables		
	Trade receivables	Non-trade receivables	Loans	Accrued income and others	Trade payables and others	Borrowings
<b>Associates</b>						
Auto Gallery Holdings, Inc.	₩ -	₩ -	₩ 5,069,200	₩ 44,913	₩ -	₩ -
Darae Parktech Co., Ltd.	3,762	-	-	-	-	-
Modu Rental Co., Ltd.	205	-	-	-	-	-
Junsymall.com co.,Ltd	1,031,722	108,532	-	440,000	2,150	-
AJ Fleet Link Co., Ltd.	15,678	-	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	583	-	-	-	1,180	-
<b>Others</b>						
AJU CO., LTD.	9,527	-	-	-	265	40,000,000
	<u>₩ 1,061,477</u>	<u>₩ 108,532</u>	<u>₩ 5,069,200</u>	<u>₩ 484,913</u>	<u>₩ 3,595</u>	<u>₩ 40,000,000</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**36. Related Party Transactions (cont'd)**

Fund transactions with the related parties for each of the two years in the period ended December 31, 2023 are as follows:

*(in thousands of Korean won)*

	2023					
	Borrowing transactions		Loan transactions		Dividends transactions	
	Borrowings		Collections		Dividends received	
<b>Associates</b>						
Cha Partners Public Mobility No. 1 Private Equity Partnership	₩	-	₩	-	₩	474,000
<b>Others</b>						
AJU CO., LTD. <sup>1</sup>		15,000,000		55,000,000		-
	₩	15,000,000	₩	55,000,000	₩	474,000

*(in thousands of Korean won)*

	2022					
	Borrowing transactions		Loan transactions		Dividends transactions	
	Borrowings		Collections		Dividends received	
<b>Associates</b>						
Cha Partners Public Mobility No. 1 Private Equity Partnership	₩	-	₩	-	₩	474,000
Cha Partners Public Mobility No. 2 Private Equity Partnership		-		-		474,000
Cha Partners Public Mobility No. 3 Private Equity Partnership		-		-		594,000
<b>Others</b>						
Songdo Trans Co., Ltd.		-		2,000,000		-
AJU CO., LTD. <sup>1</sup>		40,000,000		-		-
	₩	40,000,000	₩	2,000,000	₩	1,542,000

<sup>1</sup> For the year ended December 31, 2022, the Group borrowed ₩ 40,000,000 thousand from AJU CO., LTD., and pledged all shares issued by AJ Rental Inc. as collateral for the loan with establishing AJU CO., LTD. as the first priority beneficiary

As of December 31, 2023, there are no guarantees being provided for the related parties.

**AJ Networks Co., Ltd. and its subsidiaries**  
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**36. Related Party Transactions (cont'd)**

Executive compensation of the Group for each of the following categories for each of the two years in the period ended December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Short-term employee benefits	₩	1,253,905	₩	1,953,298
Post employment benefits		300,131		506,247
Share-based payments		40,998		91,329
	₩	<u>1,595,034</u>	₩	<u>2,550,874</u>

**37. Information for Non-controlling Interests**

*(a) Changes in accumulated non-controlling interests*

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for each of the two years in the period ended December 31, 2023 is as follows:

<i>(in thousands of Korean won)</i>		<b>2023</b>			
		<b>Non-controlling interest rate</b>	<b>Accumulated non-controlling interests at the beginning of the year</b>	<b>Profit or loss allocated to non-controlling interests</b>	<b>Others</b>
AJ Rental, Inc. <sup>1</sup>	39.97%	₩ (69,767)	₩ (264,859)	₩ 23,114	₩ (311,511)
AJ ICT Co., Ltd.	0.17%	10,164	467	-	10,631
AJ Daewon Co.,Ltd. <sup>2</sup>		-	(5,991)	30,000	24,009
AJ LogisValue Poland Sp. z o.o. <sup>3</sup>	-	-	(27,781)	103,357	75,576
TS Global Co.,Ltd.	30.00%	389,545	245,899	-	635,443
		₩ 329,942	₩ (52,265)	₩ 156,471	₩ 434,148

<sup>1</sup> It is non-controlling interests occurred from subsidiaries of AJ Rental, Inc. and non-controlling interest rate for Auto Gallery International, Inc. are 39.97%.

<sup>2</sup> It is non-controlling interests occurred from subsidiaries of AJ Daewon Co.,Ltd. and non-controlling interest rate for AI&Solution Co., Ltd. are 10%.

<sup>3</sup> It is non-controlling interests occurred from subsidiaries of AJ LogisValue Poland Sp. z o.o. and non-controlling interest rate for AJ Eco Solutions Sp. Z.o.o. are 10%.

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
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**37. Information for Non-controlling Interests (cont'd)**

<i>(in thousands of Korean won)</i>	<b>2022</b>				
	<b>Non-controlling interest rate</b>	<b>Accumulated non-controlling interests at the beginning of the year</b>	<b>Profit or loss allocated to non-controlling interests</b>	<b>Others</b>	<b>Accumulated non-controlling interests at the end of the year</b>
AJ Rental, Inc. <sup>1</sup>	39.97%	₩ 1,021,875	₩ (179,218)	₩ (912,424)	₩ (69,767)
AJ ICT Co., Ltd.	0.17%	9,328	(68)	-	9,260
AJ Automated Parking Systems Co., Ltd.	-	(22,003)	(250)	22,253	-
TS GLOBAL CO.	30.00%	-	(47,263)	436,808	389,545
		<u>₩ 1,009,200</u>	<u>₩ (226,799)</u>	<u>₩ (453,363)</u>	<u>₩ 329,038</u>

<sup>1</sup>It is a non-controlling interest arising from a subsidiary of AJ Rental Inc., and the non-controlling interest in Auto Gallery International, Inc. is 39.97%.

*(b) Transactions with non-controlling interests*

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Changes in scope of consolidation	₩ 132,153	₩ (455,852)
Net effect on equity	<u>₩ 132,153</u>	<u>₩ (455,852)</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2023 and 2022**

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**38. Business Combination**

The group executed business combinations to maximize business synergy effects and ensure efficient company operations. The group acquired 100% ownership of AJ Dong Nai Cold Co., Ltd. sequentially in 2023, and acquired 70% ownership of TS GLOBAL CO. in 2022. These acquisitions were accounted for using the acquisition method.

Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition date are as follows:

*(in thousands of Korean won)*

	<b>2023</b>	
	<b>AJ Dong Nai Cold Co., Ltd.</b>	
Purchase consideration		
Cash	₩	6,822,120
Total consideration	₩	<u>6,822,120</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	₩	132,753
Trade receivables		169,181
Inventories		14,826
Other current financial assets		5,620
Other current assets		57,930
Property, plant and equipment		5,314,101
Right-of-use assets		3,145,177
Other non-current financial assets		88,521
Trade payables		(27,705)
Other current financial liabilities		(42,860)
Other current liabilities		(464)
Borrowings		<u>(2,034,960)</u>
	₩	<u>6,822,120</u>

**AJ Networks Co., Ltd. and its subsidiaries**  
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**38. Business Combination (cont'd)**

*(in thousands of Korean won)*

	<b>2022</b>	
	<b>TS GLOBAL CO.</b>	
Purchase consideration		
Cash	₩	1,711,242
Non-trade payables		1,711,242
Total consideration	₩	<u>3,422,484</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	₩	902,481
Trade receivables		1,242,792
Inventories		262,666
Other current financial assets		186,524
Other current assets		1,503
Property, plant and equipment		369,084
Intangible assets		835
Right-of-use assets		78,145
Other non-current financial assets		55,000
Trade payables		(892,895)
Other current financial liabilities		(592,818)
Other current liabilities		(65,784)
Defined benefit obligations		(13,362)
Lease liabilities		(78,145)
Net identifiable assets acquired	₩	1,456,026
Non-controlling interest		(436,809)
Intangible assets (customer contracts)		509,238
Goodwill (bargain purchase gain)		1,894,029
	₩	<u>3,422,484</u>

The net cash flows resulting from business combinations in 2023 and 2022 are as follows:

*(in thousands of Korean won)*

	<b>2023</b>		<b>2022</b>	
	<b>AJ Dong Nai Cold Co., Ltd.</b>		<b>TS GLOBAL CO.</b>	
Total consideration	₩	6,822,120	₩	3,422,484
Deduction: Cash and cash equivalents acquired from subsidiaries		(132,753)		(902,481)
Net cash outflows from business combinations	₩	<u>6,689,367</u>	₩	<u>2,520,003</u>

**38. Business Combination (cont'd)**

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The contribution income from the date of business combination until the end of the reporting period in 2023 and 2022 is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
		AJ Dong Nai Cold Co., Ltd.		TS GLOBAL CO.
Revenue	₩	777,335	₩	1,377,000
Profit for the year		81,802		157,000

### **39. Non-current Assets Held for Sale and Discontinued Operations**

The Group's Board of Directors decided to transfer the entire shares of AJ Automated Parking Systems Co., Ltd., a subsidiary, on February 3, 2023. According to this decision, the shares of AJ Automated Parking Systems Co., Ltd. owned by the Group, were classified as non-current assets held for sale. In 2023, the sale was completed, and there is no impact on the current year's pre-tax profit due to the sale.

The Group's Board of Directors decided to sell some of real estates of AJ Rental, Inc., a subsidiary, on November 23, 2022. According to this decision, some of the real estates held by AJ Rental, Inc. were classified as non-current assets held for sale in 2022, and the sale was completed in 2023. The profit or loss related to held for sale was recognized within continuing operations as the profit or loss failed to meet the requirement of discounted operations.

AJ Rental, Inc., a subsidiary, entered into a sales contract for a portion of its real estate on September 6, 2023, and completed the sales for the year ended December 31, 2023. The profit or loss related to held for sale was recognized within continuing operations as the profit or loss failed to meet the requirement of discontinued operations.

The Board of Directors of AJ Total Co., Ltd., the Group's subsidiary, decided to sell of all shares of its subsidiary, AJ Hanlok Co., Ltd. on December 18, 2023. The sale was completed for the year ended December 31, 2023. The profit or loss related to held for sale met the requirement of discontinued operations, thereby being presented as discontinued operations.



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**39. Non-current Assets Held for Sale and Discontinued Operations (cont'd)**

Details of non-current assets and liabilities of disposal group classified as held for sale as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
<b>Current assets</b>				
Cash and cash equivalents	₩	-	₩	109,907
Trade receivables		-		6,155,490
Inventories		-		940,141
Other assets		-		343,961
<b>Non-current assets</b>				
Property, plant and equipment		-		12,300,744
Intangible assets		-		5,485,899
Other non-current assets		-		2,629,256
<b>Total assets</b>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>27,965,398</u>
<b>Current liabilities</b>				
Borrowings and debentures	₩	-	₩	15,302,962
Other current liabilities		-		6,132,196
<b>Non-current liabilities</b>				
Borrowings and debentures		-		434,978
Other non-current liabilities		-		1,711,817
<b>Total liabilities</b>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>23,581,953</u>

There is no cumulative income or expense recognized in other comprehensive income in relation with the disposal group classified as held for sale for each of the two years in the period ended December 31, 2023.

The consolidated statements of comprehensive income for the comparative period were restated to present discontinued operations separately from continuing operations and their details are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
<b>Profit of discontinued operation</b>				
Operating revenue	₩	20,428,566	₩	53,288,287
Operating expense		<u>(20,010,290)</u>		<u>(52,053,877)</u>
Operating profit (loss)		418,277		1,234,410
Other income		713,129		515,379
Other expenses		(1,737)		(14,801,686)
Finance income		(90,016)		(245,671)
Finance costs		<u>(237,423)</u>		<u>(2,097,700)</u>
Profit (loss) before income tax of discontinued operation		802,228		(15,395,268)
Income tax benefit (expense)		<u>(49,465)</u>		3,160,090
<b>Profit (loss) for the year from discontinued operation</b>	<u>₩</u>	<u>752,764</u>	<u>₩</u>	<u>(12,235,178)</u>

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**39. Non-current Assets Held for Sale and Discontinued Operations (cont'd)**

Cash flows from discontinued operations for each of the two years in the period ended December 31, 2023 are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
Net cash inflows (outflows) from operating activities	₩	2,138,870	₩	(3,125,911)
Net cash inflows from investing activities		(474,403)		224,132
Net cash inflows (outflows) from financing activities		(660,557)		3,235,231
Net increase in cash and cash equivalents	₩	1,003,910	₩	333,452

**40. Events After the Reporting Period**

The Group issued ₩ 49 billion won in unguaranteed bonds on February 7, 2024, with the aim of repaying existing debts.